



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 股份代號: 41



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# CORPORATE INFORMATION

## DIRECTORS

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

<sup>#</sup> *Non-executive Directors*

\* *Independent Non-executive Directors*

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## FINANCE COMMITTEE

LO Ka Shui  
LO Kai Shui  
KAN Tak Kwong

## COMPANY SECRETARY

WONG Mei Ling, Marina

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISORS

JSM  
Clifford Chance  
Appleby

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

Canon's Court, 22 Victoria Street  
Hamilton HM12  
Bermuda

## PRINCIPAL OFFICE

33rd Floor, Great Eagle Centre  
23 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2827 3668  
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## PRINCIPAL SHARE REGISTRARS

Butterfield Fulcrum Group (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

## BRANCH SHARE REGISTRARS IN HONG KONG

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

## WEBSITE

[www.GreatEagle.com.hk](http://www.GreatEagle.com.hk)

## STOCK CODE

41

# FINANCIAL HIGHLIGHTS

Key Financial Figures	Six Months Ended 30 June		Change
	2010 HK\$ million	2009 HK\$ million	
Revenue	2,240.6	1,817.9	+ 23.3%
Statutory Profit attributable to equity holders	795.4	510.7	+ 55.7%
Profit from core business after tax	653.6	570.6	+ 14.6%
Profit from core business after tax (per share)	HK\$ 1.05	HK\$ 0.94	+ 11.7%
Interim Dividend (per share)	HK\$ 0.19	HK\$ 0.17	

  

	As at the end of	
	June 2010	Dec 2009
Net Gearing	10%	12%
Book Value (per share)	HK\$ 37.9	HK\$ 35.9

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

Rejuvenated economic activities over the first half of the year supported the Group's earnings in the first six months of 2010. In contrast to the difficult operating environment of the first half of last year, most of our businesses performed better this year, though the improvements were not across the board.

Total revenue increased 23.3% year-on-year to HK\$2,241 million for the first half of 2010, on the back of improvement in the operations of the Hotels Division. Profit from core business increased 14.6% year-on-year to HK\$654 million, primarily driven by an increase of HK\$116 million in EBITDA of the Hotels Division, followed by an increase of HK\$51 million in contribution from Champion REIT. Due to the 6-month time lag in recognizing distribution income, the increase in contribution from Champion REIT was a lagging reflection of the REIT's performance in the second half of 2009. Whereas on 16 August 2010, the REIT has declared a reduced distribution for the first half of 2010.

## BUSINESS REVIEW

### HOTELS DIVISION

	Six Months ended June		Change
	2010 HK\$ million	2009 HK\$ million	
<b>Hotel Revenue</b>			
Hong Kong Hotels	588.3	515.0	+ 14%
Overseas Hotels	915.9	654.4	+ 40%
Others	7.6	0.6	n.m.
<b>Total Hotel Revenue</b>	<b>1,511.8</b>	<b>1,170.0</b>	<b>+ 29%</b>
<b>Hotel Net Operating Income</b>			
Hong Kong Hotels	166.9	133.5	+ 25%
Overseas Hotels	55.9	(21.7)	n.m.
Others	5.5	0.3	n.m.
<b>Total Hotel Net Operating Income</b>	<b>228.3</b>	<b>112.1</b>	<b>+ 104%</b>

Underpinned by an easing on corporate spending and increased demand for rooms from corporate and leisure travellers, occupancies have increased across all of our hotels. The increase in occupancy was the key driver behind the increase in Revenue Par Available Room, as only some of our hotels managed to achieve an increase in room rates for the half year period. Revenue of the Hotels Division for the half year period increased 29% year-on-year to HK\$1,512 million.

In addition to the increase in revenue, renewed profit contribution from Langham London after the completion of its major renovation in the third quarter of 2009, and continued tight cost control contributed to the higher earnings at the Hotels Division. For the half year period, EBITDA from the Hotels Division increased by 104% year-on-year to HK\$228 million.

While our hotels in Hong Kong have been gradually raising their rates on the back of increased occupancy, rates at our U.S. hotels are still under pressure and are still not quite where they stood before the recession.

During the period we announced the acquisition of a one-third interest at a cost of HK\$570 million in a 357-room hotel in Xintiandi, Shanghai, which will be branded under "The Langham" and managed by Langham Hotels International. Apart from that, expansion of the Langham brands through an asset-light management-contract strategy has been continuing. The 204-room Eaton Luxe in Nanqiao, Shanghai opened in April 2010, and three other hotels are scheduled to open in the second half of this year.

EBITDA from the Hotels Division would have been higher, if we exclude the impact of a one-off provision associated with the rebranding of the Xintiandi property. Nevertheless, we expect the fees earned from operating the hotel will outweigh the cost incurred. Furthermore, the penetration of our brand to such a well sought after location will ensure a lift in the visibility of our brand, especially in the fast growing China hospitality market.

# MANAGEMENT DISCUSSION AND ANALYSIS

## HONG KONG HOTELS

### *The Langham, Hong Kong*

Encouraging economic growth in the region helped propel operational performance at the Langham Hong Kong in the first half of 2010. The return of corporate activities, in the absence of the H1N1 virus threat, drove demand for hotel rooms from corporate travellers. With the resultant surge in occupancy, the hotel was able to raise room rates during the half year period. However, revenue from food and beverage dropped 2% year-on-year on softer wedding business.

For the six months ended June 2010, the hotel achieved an average occupancy of 76% (2009: 66%) and an average room rate of HK\$1,723 (2009: HK\$1,627 re-based\*).

\* *The average room rate for our Hong Kong hotels in year 2009 has been re-based to include service charges, in line with industry practices.*

### *The Langham Place, Hong Kong*

The return of corporate business led to a gradual pick up in occupancy, which boosted revenue from rooms for the half year period. The average room rate achieved of HK\$1,429 in the first half of 2010 is 4% higher than that achieved in the first half of 2009. Demand for food and beverages also remained strong, as pick-up in catering for business and related events more than offset soft bookings for wedding banquets in the half year period.

For the six months ended June 2010, the hotel achieved an average occupancy of 82% (2009: 66%) and an average room rate of HK\$1,429 (2009: HK\$1,377 re-based).

### *Eaton Hotel, Hong Kong*

The improved market sentiments led to sharply higher occupancy, which help lifted Revenue Per Available Room in the first half of 2010 even though room rates remained relatively flat. However, lower demand for catering services, particularly from the wedding segment has adversely impacted food and beverage revenue, which dropped by 7% year-on-year. Completion of the renovation of the lobby in the third quarter of this year will help to upgrade the positioning of the hotel and achieve better room rates in the coming year.

For the six months ended June 2010, the hotel achieved an average occupancy of 86% (2009: 69%) and an average room rate of HK\$845 (2009: HK\$840 re-based).

## OVERSEAS HOTELS

### *The Langham, London*

After undergoing a major renovation for the past two years, which had put a significant number of rooms out of service, the majority of the rooms have been made available at the Langham London during the first half of 2010. The hotel had an average of 352 rooms available during the first half of 2010, as compared with an average of 191 rooms in the prior-year period.

The re-launched hotel was well received and steady revenue growth has been witnessed. The high standard of the rooms have enabled the hotel to shift its focus to higher-yield retail and group business, resulting in higher room rates, which increased 5% year-on-year to £235.

For the six months ended June 2010, the hotel achieved an average occupancy of 65% on an average of 352 available rooms (2009: 57% on an average of 191 available rooms) and an average room rate of £235 (2009: £225).

# MANAGEMENT DISCUSSION AND ANALYSIS

## *The Langham, Boston*

Langham Boston had a slow start to the year 2010, although recovery was seen in the second quarter supported by a stronger convention market and the return of corporate and roadshow business. There was an improvement in occupancy rate in the first half but achieved room rate decreased slightly and still some way below its previous high in 2008, due to continued market competition. Revenue from food and beverages were upheld by catering services to corporates events.

For the six months ended June 2010, the hotel achieved an average occupancy of 64% (2009: 50%) and an average room rate of US\$213 (2009: US\$215).

## *The Langham, Melbourne*

Encouraging results for the first six months of the year as the hotel was able to gain market share in the corporate and retail business. Increase in room revenue was predominately driven by increased occupancy, which surpassed last year by 13 percentage points. However, as a result of increased competition from new hotel supply in the area, average room rate achieved dropped by 9% year-on-year to A\$246 for the first half of 2010. The food and beverage department was supported by strong performance of the restaurants, which recorded growth in both average check and covers.

For the six months ended June 2010, the hotel achieved an average occupancy of 78% (2009: 65%) and an average room rate of A\$246 (2009: A\$269).

## *The Langham, Auckland*

The improved market sentiments in the city have lifted the hotel's operating results, especially during the first quarter of 2010, when there was strong demand for rooms from the retail, meeting and conference business. Occupancy rate for the first half of 2010 increased by 6 percentage points year-on-year, while average room rate achieved stayed close to its level of 2008. The re-opening of the ballroom in March 2010 was partially responsible for a 34% year-on-year increase in revenue from food and beverages in the first half of 2010.

For the six months ended June 2010, the hotel achieved an average occupancy of 65% (2009: 59%) and an average room rate of N\$174 (2009: N\$172).

## *The Langham Huntington, Pasadena*

The dependence of the hotel on domestic corporate and conference business has affected its business volume. Despite a 9 percentage-point increase in occupancy rate in the first half of 2010, the occupancy rate of 51% achieved was still below expectations.

For the six months ended June 2010, the hotel achieved an average occupancy of 51% (2009: 42%) and average room rate of US\$224 (2009: US\$220).

## *Delta Chelsea Hotel, Toronto*

Occupancy for the hotel for the first half of 2010 gained marginally due to a rebound in leisure travel and large citywide events. However, intense competition kept average room rate at the same level as last year's. Revenue from food and beverages was also lower due to slow group activities in the city. The release of the 271 newly renovated rooms from the second quarter of this year will offer a higher quality product, which should help to support room rates.

For the six months ended June 2010, the hotel achieved an average occupancy of 66% (2009: 62%) and an average room rate of C\$126 (2009: C\$125).

# MANAGEMENT DISCUSSION AND ANALYSIS

## DEVELOPMENT PROJECT

### *Dalian mixed-use development project*

The site, which was acquired in October 2009 at a cost of approximately RMB734 million, sits on the waterfront in Dalian's Donggang area. It will be developed in two phases into approximately 1,200 high-end apartments and an approximately 350-room luxury international hotel, generating an aggregate gross floor area of approximately 286,000 sq. metres.

The Group holds a 50% equity interest in the project and is the project manager. The other 50% is held by an independent third-party. The arrangement not only allows us to allocate capital more efficiently, but at the same time enhances our economic return as we will be entitled to management and performance fees.

So far the project has been making satisfactory progress. The excavation works are expected to commence in the third quarter of 2010. A construction loan of RMB1,400 million has been secured. Up to the end of June 2010, the Group has invested RMB455 million (approximately HK\$520 million) for its stake in the project.

## INCOME FROM CHAMPION REIT

Due to the Group's accounting policy of recognizing dividend income from Champion REIT at the date of payment, the dividend income recorded in our 2010 first-half results represented Champion REIT's distribution for the second half of 2009. Total contribution from Champion REIT, including asset management and other service fee income, came to HK\$460 million over the first half of 2010, a growth of 12% over that of HK\$409 million earned for the prior year period.

### *Citibank Plaza*

As a result of returning demand for office space, Grade-A rental rates in the Central district recovered by about 10% in the first half of 2010. Notwithstanding its relatively high vacancies, spot rents at Citibank Plaza had recovered from the year end levels of HK\$75 per sq. ft., to approximately HK\$80 per sq. ft by June 2010. The return of some floors by a major tenant upon the expiry of its lease in June 2010 has decreased the occupancy rate at Citibank Plaza to 83.5%. For comparison, occupancy was 94.9% twelve months ago.

### *Langham Place Office Tower*

Leasing conditions for the offices at Langham Place have been stable. The Office Tower had an occupancy rate of 98.3% as of 30 June 2010, notwithstanding the expiry of 22.6% of leases by floor area during the half year period. Langham Place's direct accessibility from the Mongkok MTR station and its reputation as a proven quality development have been important factors in retaining tenants and maintaining a high occupancy. The spot rents have been maintained at HK\$24-32 per sq. ft.

### *Langham Place Mall*

Despite the opening of new shopping malls in nearby Tsim Sha Tsui last year, the Mall enjoyed very high levels of foot traffic throughout the half year period and remained virtually fully leased. With the recovering economy and the absence of last year's H1N1 influenza scare, the sales performance of the tenants improved significantly during the half year period. As a result, the demand for retail spaces in the Mall has been strong, giving the landlord considerable pricing power. The impact of this positive trend on the Mall's income for the half year period has however been constrained by the small amount of tenancy rollovers.

On 16 August 2010, Champion REIT declared a distribution of HK\$0.1079 per unit for its first half results in 2010. A distribution of approximately HK\$272 million is attributable to the Group, and will be reflected in the Group's second half's results in 2010.

Subsequent to the extension of the application of the takeover codes to SFC-authorized REITs, and after consultation with our auditor, we will be proceeding to reclassify our equity investment in Champion REIT as an associate company from 23 July 2010.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INVESTMENT PROPERTIES

### *Great Eagle Centre*

In line with the improvement in business environment in Hong Kong since mid-2009, healthy demand from the non-financial firms kept Great Eagle Centre at close to full occupancy throughout the first half of 2010. To maximise income, we have converted approximately 21,000 sq. ft. of restaurant space in the building to office usage, which commands a higher rent rate.

Spot rents for offices increased from high HK\$30's per sq. ft. at year end 2009 to mid-HK\$40's at the end of June 2010. However, as the renewal rent rates were lower than those of the expiring leases, average passing rent at the Great Eagle Centre came to HK\$44.4 per sq. ft. as at the end of June 2010, and 6% lower than the HK\$47.2 per sq. ft. achieved as at the end of June 2009.

Despite the lower average passing rent, an increase in occupancy rate drove rental income for the Great Eagle Centre. Compared with an occupancy rate of 91.1% as at the end of June 2009, occupancy increased by 8.4 percentage points and stood at 99.5% as at the end of June 2010. As a result, gross rental income for the first half of 2010 increased by 8.5% year-on-year to HK\$52.6 million. Net rental income rose 9.4% year-on-year to HK\$50.6 million.

### *Eaton Serviced Apartments*

An increase in demand for short-term accommodations mainly by the finance and banking industries, especially over the second quarter of this year, has lifted occupancy at our serviced apartments. Occupancy rate rose 21 percentage points year-on-year to 76.4% in the first half of 2010. However, due to increased competition from a surge in the supply of serviced apartments on Hong Kong Island, rental rates have been under pressure in the first half of 2010 with gross rental rate dropping by 25.2% year-on-year to HK\$30.7 per sq. ft.

Gross rental income increased 2.1% year-on-year to HK\$15.6 million, whereas net rental income increased 39.2% year-on-year to HK\$11.2 million as a result of aggressive cost containment in 2010.

### *United States Properties*

Despite the generally sluggish demand for office space from the corporate sector in the area, our US properties benefitted from an increase in tenant relocation activities. For the half year period, gross rental income increased by 6.3% year-on-year to HK\$58.8 million, on the back of an 8 percentage-point increase in occupancy rate to 94% as at the end of June 2010. Average passing rent was steady at US\$36.5 per sq. ft. over the half year period. However, due to an increase in tenant inducement costs associated with the new lettings, net rental income declined by 2% year-on-year to HK\$23.3 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### DEBT

Gross debts denominated in HK dollars amounted to HK\$1,335 million as of 30 June 2010. Our foreign currency gross debts as of 30 June 2010 amounted to the equivalent of HK\$2,962 million, of which the equivalent of HK\$550 million, or 18.6% of our foreign currency debts, was on fixed-rate basis. Net of cash and bank deposits that matures within 3 months totalling the equivalent of HK\$1,827 million, our consolidated net debt outstanding as of 30 June 2010 was HK\$2,470 million, an decrease of HK\$122 million from that of HK\$2,592 million as of 31 December 2009.

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 full principal protected structured deposits and notes with reputable banks and financial institutions as counter-parties. As at 30 June 2010, investment in these bonds, structured deposits and notes amounted to HK\$819 million. Should this amount be taken into account, the consolidated net borrowing of the Group would be reduced to HK\$1,651 million.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2010 and the depreciated costs of the Group's hotel properties, amounted to HK\$23,604 million as of 30 June 2010. The net assets value at 30 June 2010 represents an increase of HK\$1,287 million compared to the value of HK\$22,317 million as of 31 December 2009, mainly attributable to the profit for the period and the increase in fair value of the Group's investment in Champion REIT units. Based on the consolidated net debt of HK\$2,470 million, the resulting gearing ratio at 30 June 2010 was 10%. Should the investment in bonds, structured deposits and notes mentioned above be recognized in the calculation, the gearing ratio will be reduced to 7%.

### FINANCE COST

During the period, market interest rate has remained at an extremely low level. Coupled with the high interest income from the Group's investment in Champion REIT convertible bonds, the Group has earned a net interest income of HK\$25 million for the six period ended 2010. Consequently, there is no applicable interest cover ratio as at the end of the reporting period.

### LIQUIDITY AND DEBT MATURITY PROFILE

As of 30 June 2010, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$3,635 million. The majority of our loan facilities is short or 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 2010:

Within 1 year	38.9%
1-2 years	10.1%
3-5 years	51.0%

### PLEDGE OF ASSETS

At 30 June 2010, properties of the Group with a total carrying value of approximately HK\$9,875 million (31 December 2009: HK\$9,895 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

### COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2010, the Group has authorised capital expenditures not provided for in these financial statements amounting to approximately HK\$95 million (31 December 2009: HK\$309 million) of which approximately HK\$70 million (31 December 2009: HK\$309 million) was contracted for. Further details are set out in note 22 to the condensed consolidated financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

Our Hotels Division has probably passed the bottom of the down cycle and the properties are generally seeing improved operating conditions. Barring a sharp deterioration in the global economy, the gains in occupancy in the past several months will lay the ground for better room rates in the second half of 2010. We will at the same time place strong emphasis on yield management and cost rationalization to optimize results.

Our income from Champion REIT for the second half of 2010 will decline. The REIT has just declared a reduced distribution of HK\$0.1079 per unit for the first half of 2010 due to higher vacancies and negative rental reversion at Citibank Plaza. Due to the 6-month time lag in recognizing distribution income, and lower property-income-based management fees, we will see lower contribution from the REIT in the second half. As pointed out in Champion's announcement, the vacancy rate at Citibank Plaza will possibly remain at a high level for the rest of the this year, which will exert pressure on rental income. Therefore our income from the REIT will remain suppressed through the first half of 2011. Nevertheless, given the overall low vacancy rate in the Central Grade-A office market, renewed demand from the financial sector and the shortage of new supply, spot rents have been climbing and are poised for further strong growth in the coming year. Citibank Plaza should be a major beneficiary of that favourable trend. In the meantime, the REIT is expecting a strong pick up in rental income from the Langham Place Mall in the second half of 2010. The prospects are therefore good for a sustained recovery in contribution from Champion REIT starting in the second half of 2011.

With the Dalian project, we have embarked on our property development initiative in Mainland China. While there will be uncertainties in the market place as a result of the Central Government's efforts to rein in property prices, we are comfortable with the viability of the Dalian project in view of the low land cost and prime location. With our strengthened balance sheet and low gearing, we will continue to redeploy capital in projects that meet our threshold for quality and return.

The slower growth in China, the uncertain debt situations of European nations and the sputtering pace of recovery in the United States all contribute to a softer global economic outlook. This will add volatility to the business environments in which we operate in. Therefore, while we will try to capitalize on market weaknesses to make sound investments, we will always manage our finances conservatively.

### **LO Ka Shui**

*Chairman and Managing Director*

Hong Kong, 20 August 2010

# DISCLOSURE OF INTERESTS

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

As at 30 June 2010, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 to 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 shares / underlying shares				Number of outstanding share options	Total	Percentage of issued share capital <sup>(7)</sup>
	Personal interests	Family interests	Corporate interests	Other interests			
Lo Ka Shui	33,086,617 <sup>(1)</sup>	—	—	279,372,494 <sup>(2)</sup>	1,829,000	314,288,111	50.46
Lo Kai Shui	200,000	—	629,785 <sup>(3)</sup>	205,831,599 <sup>(4)</sup>	425,000	207,086,384	33.25
Lo To Lee Kwan	984,693	—	4,525,393 <sup>(5)</sup>	205,831,599 <sup>(4)</sup>	—	211,341,685	33.93
Cheng Hoi Chuen, Vincent	—	10,000	—	—	—	10,000	—
Lo Hong Sui, Antony	53,914	—	—	205,831,599 <sup>(4)</sup>	475,000	206,360,513	33.13
Law Wai Duen	1,047,475	—	—	205,831,599 <sup>(4)</sup>	312,000	207,191,074	33.26
Lo Hong Sui, Vincent	293	—	—	205,831,599 <sup>(4)</sup>	—	205,831,892	33.04
Lo Ying Sui, Archie	3,855,046	3,764	33,269,396 <sup>(6)</sup>	205,831,599 <sup>(4)</sup>	—	242,959,805	39.01
Kan Tak Kwong	1,003,830	—	—	—	750,000	1,753,830	0.28

Notes:

- (1) Among these 33,086,617 shares, 2,785,510 shares of which are derivative interest held by Dr. Lo Ka Shui.
- (2) These 279,372,494 shares comprise:
  - (i) 205,831,599 shares owned by a discretionary trust of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie are the beneficiaries; and
  - (ii) 73,540,895 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.
- (3) These 629,785 shares comprise 527,066 shares held by certain companies wholly-owned by Mr. Lo Kai Shui and 102,719 shares held by a company controlled by him. Mr. Lo Kai Shui is also a director of these companies.
- (4) These shares are the same parcel of shares referred to in Note (2)(i) above.
- (5) These 4,525,393 shares are held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies.
- (6) These 33,269,396 shares are held by a company wholly-owned by Dr. Lo Ying Sui, Archie who is also a director of this company.
- (7) This percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2010 of 622,795,374 shares and rounded down to 2 decimal places.

# DISCLOSURE OF INTERESTS

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

Recruit Holdings Limited (“Recruit Holdings”) is an associated company of the Company. Dr. Lo Ka Shui beneficially owned 150,000 shares in Recruit Holdings, representing 0.048% of its issued share capital.

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executives of the Company were taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEMES

In accordance with the 2009 Share Option Scheme of the Company, which was adopted pursuant to an ordinary resolution passed on 27 May 2009, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The 2009 Share Option Scheme of the Company was to replace the former Executive Share Option Scheme of the Company adopted by an ordinary resolution passed on 10 June 1999 (the “1999 Share Option Scheme”) and amended by an ordinary resolution passed on 20 December 2001. Upon the adoption of the 2009 Share Option Scheme on 27 May 2009, the 1999 Share Option Scheme was terminated. Options granted during the life of the 1999 Share Option Scheme and remain unexpired prior to the termination of the 1999 Share Option Scheme continue to be exercisable in accordance with their terms of issue after termination of the 1999 Share Option Scheme.

During the six months ended 30 June 2010, the details of the movements in the share options granted to the Company’s employees (including Directors) under the 1999 Share Option Scheme and the 2009 Share Option Scheme were as follows:

Date of grant	Number of Share Options				Outstanding as at 30/06/2010	Exercise period	Exercise price per share (HK\$)
	Outstanding as at 1/1/2010	Grant during the period	Exercised during the period	Lapsed during the period			
17/03/2005 <sup>(1)</sup>	898,000	—	(856,000)	(42,000)	—	18/03/2007 - 17/03/2010	18.21
04/01/2007 <sup>(1)</sup>	2,794,000	—	—	(16,000)	2,778,000	05/01/2009 - 04/01/2012	22.35
08/01/2009 <sup>(1)</sup>	2,900,000	—	—	(22,000)	2,878,000	09/01/2011 - 08/01/2014	9.34
04/03/2010 <sup>(2)</sup>	—	2,742,000 <sup>(3)</sup>	—	(18,000)	2,724,000	05/03/2012 - 04/03/2015	22.80
<b>Total</b>	<b>6,592,000</b>	<b>2,742,000</b>	<b>(856,000)</b>	<b>(98,000)</b>	<b>8,380,000</b>		

Notes:

- (1) Share options were granted under the 1999 Share Option Scheme.
- (2) Share options were granted under the 2009 Share Option Scheme.
- (3) During the six months ended 30 June 2010, 1,170,000 and 1,572,000 share options were granted to the Directors and employees of the Company respectively.
- (4) During the six months ended 30 June 2010, no share options were cancelled.
- (5) Consideration paid for each grant of share options was HK\$1.00.
- (6) The vesting period for the share options granted is 24 months from date of grant.

# DISCLOSURE OF INTERESTS

During the six months ended 30 June 2010, the details of the movements in the share options granted to employees (including Directors (some are also substantial shareholders)) under the 1999 Share Option Scheme and the 2009 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules were as follows:

	Date of grant	Number of Share Options					Outstanding as at 30/06/2010	Exercise price per share (HK\$)	Weighted average closing price immediately before the date of exercise (HK\$)
		Outstanding as at 1/1/2010	Grant during the period	Exercised during the period	Lapsed during the period				
<b>Directors</b>									
Lo Ka Shui	17/03/2005 <sup>(1)</sup>	300,000	—	(300,000)	—	—	18.21	22.59	
	04/01/2007 <sup>(1)</sup>	600,000	—	—	—	600,000	22.35	N/A	
	08/01/2009 <sup>(1)</sup>	609,000	—	—	—	609,000	9.34	N/A	
	04/03/2010 <sup>(2)</sup>	—	620,000	—	—	620,000	22.80	N/A	
			1,509,000	620,000	(300,000)	—	1,829,000		
Lo Kai Shui	17/03/2005 <sup>(1)</sup>	200,000	—	(200,000)	—	—	18.21	22.59	
	04/01/2007 <sup>(1)</sup>	200,000	—	—	—	200,000	22.35	N/A	
	08/01/2009 <sup>(1)</sup>	125,000	—	—	—	125,000	9.34	N/A	
	04/03/2010 <sup>(2)</sup>	—	100,000	—	—	100,000	22.80	N/A	
			525,000	100,000	(200,000)	—	425,000		
Lo Hong Sui, Antony	17/03/2005 <sup>(1)</sup>	50,000	—	(50,000)	—	—	18.21	22.59	
	04/01/2007 <sup>(1)</sup>	200,000	—	—	—	200,000	22.35	N/A	
	08/01/2009 <sup>(1)</sup>	125,000	—	—	—	125,000	9.34	N/A	
	04/03/2010 <sup>(2)</sup>	—	150,000	—	—	150,000	22.80	N/A	
			375,000	150,000	(50,000)	—	475,000		
Law Wai Duen	04/01/2007 <sup>(1)</sup>	100,000	—	—	—	100,000	22.35	N/A	
	08/01/2009 <sup>(1)</sup>	112,000	—	—	—	112,000	9.34	N/A	
	04/03/2010 <sup>(2)</sup>	—	100,000	—	—	100,000	22.80	N/A	
			212,000	100,000	—	—	312,000		
Kan Tak Kwong	17/03/2005 <sup>(1)</sup>	120,000	—	(120,000)	—	—	18.21	22.59	
	04/01/2007 <sup>(1)</sup>	300,000	—	—	—	300,000	22.35	N/A	
	08/01/2009 <sup>(1)</sup>	250,000	—	—	—	250,000	9.34	N/A	
	04/03/2010 <sup>(2)</sup>	—	200,000	—	—	200,000	22.80	N/A	
			670,000	200,000	(120,000)	—	750,000		
<b>Employees (other than Directors)</b>	17/03/2005 <sup>(1)</sup>	228,000	—	(186,000)	(42,000)	—	18.21	22.59	
	04/01/2007 <sup>(1)</sup>	1,394,000	—	—	(16,000)	1,378,000	22.35	N/A	
	08/01/2009 <sup>(1)</sup>	1,679,000	—	—	(22,000)	1,657,000	9.34	N/A	
	04/03/2010 <sup>(2)</sup>	—	1,572,000	—	(18,000)	1,554,000	22.80	N/A	
			3,301,000	1,572,000	(186,000)	(98,000)	4,589,000		

# DISCLOSURE OF INTERESTS

Notes:

- (1) Share options were granted under the 1999 Share Option Scheme.  
Share options granted on 17/03/2005 are exercisable during the period from 18/03/2007 to 17/03/2010.  
Share options granted on 04/01/2007 are exercisable during the period from 05/01/2009 to 04/01/2012.  
Share options granted on 08/01/2009 are exercisable during the period from 09/01/2011 to 08/01/2014.
- (2) Share options granted under the 2009 Share Option Scheme.  
Share options granted on 04/03/2010 are exercisable during the period from 05/03/2012 to 04/03/2015.  
The closing price of the share of the Company immediately before the grant of date was HK\$23.00.
- (3) During the six months ended 30 June 2010, no share options were cancelled.
- (4) Consideration paid for each grant of share options was HK\$1.00.
- (5) The vesting period for the share options granted is 24 months from date of grant.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2010, the interests and short positions of the following persons (other than a Director or the chief executive of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company:

### Long positions in shares of the Company

Name of Shareholders	Number of shares	Percentage of issued share capital <sup>(5)</sup>
HSBC International Trustee Limited	274,494,364 <sup>(1)</sup>	44.07
Powermax Agents Limited <sup>(2)</sup>	152,677,859	24.51
Surewit Finance Limited <sup>(3)</sup>	43,235,142	6.94
Adscan Holdings Limited <sup>(4)</sup>	33,269,396	5.34

Notes:

- (1) The number of shares disclosed was based on the latest Disclosure of Interest Form received from HSBC International Trustee Limited ("HITL"). According to the disclosures made by the Directors of the Company:
  - (i) 205,831,599 shares representing 33.04% of the issued share capital of the Company were held in the name of HITL as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie, all being directors of the Company, are beneficiaries.
  - (ii) 73,540,895 shares representing 11.80% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the founder.
- (2) Powermax Agents Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 152,677,859 shares held by it are among the shares referred to in Note (1)(i) above.
- (3) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 43,235,142 shares held by it are among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is a director of this company.
- (4) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui, Archie, who is also a director of this company.
- (5) This percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2010 of 622,795,374 shares and rounded down to 2 decimal places.

Save as disclosed above, as at 30 June 2010, no person (other than Directors of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 11 and 12) is interested (or deemed to be interested) or holds any short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

# OTHER INFORMATION

## REVIEW OF INTERIM RESULTS

The financial statements for the six months ended 30 June 2010 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 also been reviewed by the Audit Committee of the Company, and by Deloitte Touche Tohmatsu, the independent auditors of the Company 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

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 Listing Rules throughout the period under review, except the following deviations from certain CG Code Provisions in respect of which remedial steps for compliance have been taken or considered reasons are given below:

*CG Code Provision A.2.1 requires that the roles of chairman and chief executive 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.

## 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 (the “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 six months period ended 30 June 2010.

# OTHER INFORMATION

## DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2009 Annual Report of the Company are set out below:

Dr. Lo Ka Shui, Chairman and Managing Director of the Company, has retired as an Independent Non-Executive Director of Melco International Development Limited with effect from 22 June 2010.

On 4 March 2010, 1,170,000 share options of the Company were granted to the following Executive Directors of the Company and according to the Company's share accounting policy, the following share-based payments in respect of the aforesaid options were accounted for during the vesting period as non-cash emoluments of the respective Executive Directors:

Name of Executive Directors	Number of Options	Share-based Payment* (HK\$)
Lo Ka Shui ( <i>Chairman and Managing Director</i> )	620,000	879,367.00
Lo Kai Shui ( <i>Deputy Managing Director</i> )	100,000	141,833.00
Lo Hong Sui, Antony	150,000	212,750.00
Law Wai Duen	100,000	141,833.00
Kan Tak Kwong ( <i>General Manager</i> )	200,000	283,667.00

\* Further details of share-based payments are set out in note 21 to the Condensed Consolidated Financial Statements on page 42 in this Report.

## EMPLOYEES

Due to seasonal effect, the number of employees of the Group increased approximately 3% to 4,440 during the period. 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. To further support the engagement of employees, our Hotel Division has also adopted the Total Quality Management (TQM) technology to drive development of people and continuous improvement of management systems.

In 2010, the Group has operated its competency-based human resources management module and implemented its 2010 staff training and people development plan which included management development programme for selected managerial staff to explore leadership competence, team building sessions for managers and team members to learn together key elements of team work spirit, good communication, and working synergy in order to further accelerate team effectiveness and strengthen management competencies. The Group has facilitated lots of external training programmes in leadership and other soft skill aspects, and also delivered a series of in-house technical skill training.

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

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

## PUBLIC FLOAT

As at the date of this interim report, based on 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.

# DIVIDEND NOTICE AND KEY DATES

## INTERIM DIVIDEND

The Board of Directors of Great Eagle Holdings Limited (the “Company”) has resolved to declare an interim dividend of HK19 cents (2009: HK17 cents) per share for the six months ended 30 June 2010, payable on 15 October 2010 to those shareholders whose names appear on the Registers of Members of the Company on Friday, 8 October 2010.

## CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Tuesday, 5 October 2010 to Friday, 8 October 2010, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, 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 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, 4 October 2010.

## KEY DATES

2010 Interim Results Announcement	:	20 August 2010
Closure of Registers of Members	:	5 October 2010 - 8 October 2010 <i>(both days inclusive)</i>
Record Date for 2010 Interim Dividend	:	8 October 2010
Payment of 2010 Interim Dividend of HK19 cents per share	:	15 October 2010

# 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 19 to 44 which comprises the condensed consolidated statement of financial position of Great Eagle Holdings Limited (the "Company") and its subsidiaries as of 30 June 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company 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 this 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 inquiries, 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  
20 August 2010

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Notes	Six Months Ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Revenue	(3)	2,240,643	1,817,896
Cost of goods and services		(1,413,200)	(1,172,211)
Operating profit before depreciation and amortisation		827,443	645,685
Depreciation and amortisation		(165,402)	(170,807)
Operating profit		662,041	474,878
Fair value changes on investment properties		165,621	60,421
Fair value changes on derivative financial instruments		98,371	118,288
Fair value changes on financial assets carried at fair value through profit or loss		12,030	20,769
Other income		91,470	190,262
Administrative expenses		(107,650)	(106,329)
Other expenses		(556)	(2,188)
Impairment loss recognised in respect of a hotel property	(10)	—	(289,490)
Finance costs	(5)	(62,786)	(68,961)
Share of results of associates		11,450	132
Profit before tax		869,991	397,782
Income taxes	(6)	(74,633)	112,967
Profit for the period attributable to owners of the Company	(7)	795,358	510,749
Earnings per share	(9)		
Basic		HK\$1.28	HK\$0.84
Diluted		HK\$1.27	HK\$0.84

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six Months Ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Profit for the period	795,358	510,749
Other comprehensive income		
Fair value gain on available for sale investments	797,786	1,093,158
Surplus on revaluation of an owner occupied building upon change of use (note 10)	3,789	—
Exchange differences arising on translation of foreign operations	(115,323)	288,320
	686,252	1,381,478
Total comprehensive income for the period attributable to owners of the Company	1,481,610	1,892,227

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	At 30 June 2010 HK\$'000 (unaudited)	At 31 December 2009 HK\$'000 (restated)
<b>Non-current assets</b>			
Property, plant and equipment	(10)	9,731,259	9,875,148
Investment properties	(10)	3,753,908	3,651,711
Deposit for acquisition of leasehold land	(11)	—	591,000
Interests in associates		67,787	59,466
Interest in a jointly controlled entity	(11)	520,112	—
Available for sale investments	(12)	9,110,380	8,083,050
Investment in convertible bonds	(13)	2,884,002	2,721,509
Notes receivable	(14)	168,227	223,413
Amounts due from associates		12,077	12,077
Restricted cash		—	61,521
Financial assets carried at fair value through profit or loss	(15)	77,853	77,551
		<b>26,325,605</b>	<b>25,356,446</b>
<b>Current assets</b>			
Inventories		56,282	65,774
Debtors, deposits and prepayments	(16)	404,852	339,765
Financial assets carried at fair value through profit or loss	(15)	132,325	340,634
Notes receivable	(14)	573,130	204,118
Bank balances and cash		1,826,849	1,859,563
		<b>2,993,438</b>	<b>2,809,854</b>
<b>Current liabilities</b>			
Creditors, deposits and accruals	(17)	679,589	635,920
Derivative financial instruments		578	591
Provision for taxation		87,149	66,145
Borrowings due within one year	(18)	1,670,011	247,040
Unsecured bank overdrafts		114	9,331
		<b>2,437,441</b>	<b>959,027</b>
Net current assets		<b>555,997</b>	<b>1,850,827</b>
Total assets less current liabilities		<b>26,881,602</b>	<b>27,207,273</b>
<b>Non-current liabilities</b>			
Borrowings due after one year	(18)	2,626,497	4,257,328
Deferred taxation		650,790	632,841
		<b>3,277,287</b>	<b>4,890,169</b>
<b>NET ASSETS</b>		<b>23,604,315</b>	<b>22,317,104</b>
<b>Equity</b>			
Share capital	(19)	311,398	310,913
Share premium and reserves		23,292,917	22,006,191
<b>TOTAL EQUITY</b>		<b>23,604,315</b>	<b>22,317,104</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2009 (audited)	304,832	3,588,652	(5,255,002)	—	1,650	402,540	(413,344)	27,743	19,317,647	17,974,718
Profit for the period	—	—	—	—	—	—	—	—	510,749	510,749
Fair value gain on available for sale investments	—	—	1,093,158	—	—	—	—	—	—	1,093,158
Exchange difference arising on translation of foreign operations	—	—	—	—	—	—	288,320	—	—	288,320
Total comprehensive income for the period	—	—	1,093,158	—	—	—	288,320	—	510,749	1,892,227
Dividend paid	—	—	—	—	—	—	—	—	(213,381)	(213,381)
Shares issued at premium	6,081	150,448	—	—	—	—	—	—	—	156,529
Recognition of equity-settled share based payments	—	—	—	—	—	—	—	1,988	—	1,988
At 30 June 2009 (unaudited)	310,913	3,739,100	(4,161,844)	—	1,650	402,540	(125,024)	29,731	19,615,015	19,812,081
At 1 January 2010 (audited)	310,913	3,739,100	(2,346,769)	—	1,650	402,540	(3,470)	31,919	20,181,221	22,317,104
Profit for the period	—	—	—	—	—	—	—	—	795,358	795,358
Fair value gain on available for sale investments	—	—	797,786	—	—	—	—	—	—	797,786
Surplus on revaluation of an owner occupied building upon change of use	—	—	—	3,789	—	—	—	—	—	3,789
Exchange difference arising on translation of foreign operations	—	—	—	—	—	—	(115,323)	—	—	(115,323)
Total comprehensive income for the period	—	—	797,786	3,789	—	—	(115,323)	—	795,358	1,481,610
Dividend paid	—	—	—	—	—	—	—	—	(217,938)	(217,938)
Shares issued at premium	485	23,029	—	—	—	—	—	(5,674)	—	17,840
Share issue expenses	—	(4)	—	—	—	—	—	—	—	(4)
Recognition of equity-settled share based payments	—	—	—	—	—	—	—	5,703	—	5,703
At 30 June 2010 (unaudited)	311,398	3,762,125	(1,548,983)	3,789	1,650	402,540	(118,793)	31,948	20,758,641	23,604,315

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Notes	Six Months Ended 30 June	
		2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Cash generated from operations</b>		297,590	162,568
Hong Kong Profits Tax paid		(17,181)	(21,932)
Tax paid in other jurisdictions		(15,151)	(19,627)
Tax refunded in other jurisdictions		—	220
<b>Net cash from operating activities</b>		265,258	121,229
<b>Investing activities</b>			
Interest received		25,809	27,918
Dividends received from listed investments		194,474	170,785
Dividend received from an associate		3,129	3,128
Additions of investment properties		(709)	(32,110)
Settlement of construction fee payable and retention money payable in respect of investment properties disposed of in prior year		—	(217,974)
Additions of property, plant and equipment		(129,862)	(245,126)
Additions of notes receivable		(400,923)	(10,993)
Additions of financial assets carried at fair value through profit or loss		(15,510)	(201,487)
Investment in a jointly controlled entity	(11)	(224,612)	—
Proceeds from redemption of notes receivable		85,442	—
Proceeds on disposal of financial assets carried at fair value through profit or loss		236,551	—
Proceeds on disposal of a subsidiary	(11)	295,500	—
Proceeds on disposal of investment properties		—	12,915
Proceeds on disposal of property, plant or equipment		8	120
Decrease (increase) in restricted cash		61,521	(30,750)
<b>Net cash from (used in) investing activities</b>		130,818	(523,574)
<b>Financing activities</b>			
Interest paid		(55,004)	(72,561)
Issue of shares		15,585	—
Bank loans raised		—	75,357
Repayments of bank and revolving loans		(148,430)	(63,786)
Dividends paid to shareholders		(215,687)	(56,852)
<b>Net cash used in financing activities</b>		(403,536)	(117,842)
<b>Net decrease in cash and cash equivalents</b>		(7,460)	(520,187)
<b>Effect of foreign exchange rate changes</b>		(16,037)	41,159
<b>Cash and cash equivalents at 1 January</b>		1,850,232	3,349,108
<b>Cash and cash equivalents at 30 June</b>		1,826,735	2,870,080
<b>Analysis of cash and cash equivalents</b>			
Bank balances and cash		1,826,849	2,879,625
Bank overdrafts		(114)	(9,545)
		1,826,735	2,870,080

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (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".

## (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 2009 except for the following new accounting policies which have been adopted by the Group:

### Property, plant and equipment

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

### Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the condensed consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised 2008) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (2) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

As there was no transaction during the current interim period in which HKFRS 3 (Revised 2008) are applicable, the application of HKFRS 3 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

### HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Company. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In respect of the disposal of 50% of the Group's equity interest in Wealth Joy Holdings Limited ("Wealth Joy"), an indirectly wholly owned subsidiary as disclosed in note 11, the application of HKAS 27 (Revised 2008) and consequential amendments to HKAS 31 has no material impact on the condensed consolidated financial statements of the Group.

### Amendment to HKAS 17 Leases

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions of amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of these leases. Leasehold land that qualifies finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment retrospectively, resulting in a reclassification of prepaid lease payment with previous carrying amount of HK\$1,751,184,000 at 1 January 2009 as property, plant and equipment that are measured at cost model.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (2) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### Amendment to HKAS 17 Leases *(Continued)*

#### Summary of the effect of the changes in accounting policies

The application of the amendment to HKAS 17 "Leases" had no material effect on the results for the current and prior periods and its effect on the financial positions of the Group as at 31 December 2009 and 1 January 2009 are as follows:

	31 December 2009		
	Originally stated HK\$'000	Adjustments HK\$'000	Restated HK\$'000
Property, plant and equipment	8,168,735	1,706,413	9,875,148
Prepaid lease payments	1,706,413	(1,706,413)	—
Total effects on net assets	9,875,148	—	9,875,148

  

	1 January 2009		
	Originally stated HK\$'000	Adjustments HK\$'000	Restated HK\$'000
Property, plant and equipment	8,038,660	1,751,184	9,789,844
Prepaid lease payments	1,751,184	(1,751,184)	—
Total effects on net assets	9,789,844	—	9,789,844

The application of other new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (2) PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

## (3) REVENUE

Revenue represents the aggregate of gross rental income, building management service income, income from hotel and restaurant 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 and insurance agency commission and income from fitness centre operations.

	Six Months Ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Property rental income	130,471	122,545
Building management service income	9,374	9,380
Hotel income	1,511,789	1,122,384
Sales of goods	38,603	63,122
Dividend income	324,106	273,274
Management service income earned as a manager of real estate investment trust	93,617	105,194
Others	132,683	121,997
	<b>2,240,643</b>	<b>1,817,896</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (4) SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of 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 segments under HKFRS 8, which are consistent with those disclosed in the Group's annual financial statements for the year ended 31 December 2009, are as follows:

Property investment	—	gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.
Hotel operation	—	hotel accommodation, food and banquet operations.
Income from Champion REIT	—	dividend income from Champion Real Estate Investment Trust ("Champion REIT"), management service fee income for acting as the manager of Champion REIT 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, property agency and insurance agency services.

Segment results represent the results of each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, directors' salaries, share of results of associates, depreciation and amortisation, fair value changes on investment properties, derivative financial instruments and financial assets carried at fair value through profit or loss, 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (4) SEGMENT INFORMATION *(Continued)*

The following is the analysis of the Group's revenue and results by operating segment for the period under review:

### Six months ended 30 June 2010

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Income from Champion REIT HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>SEGMENT REVENUE</b>						
External sales	139,845	1,511,789	460,265	128,744	—	2,240,643
Inter-segment sales	10,327	—	—	6,650	(16,977)	—
<b>Total</b>	<b>150,172</b>	<b>1,511,789</b>	<b>460,265</b>	<b>135,394</b>	<b>(16,977)</b>	<b>2,240,643</b>
Inter-segment sales are charged at mutually agreed prices and are recognised when services are provided.						
<b>RESULTS</b>						
Segment result	88,119	228,602	445,834	121,177		883,732
Unallocated corporate income						1,031
Unallocated corporate expenses						(74,056)
Depreciation and amortisation						(165,402)
Fair value changes on investment properties						165,621
Fair value changes on derivative financial instruments						98,371
Fair value changes on financial assets carried at fair value through profit or loss						12,030
Finance costs						(62,786)
Share of results of associates						11,450
<b>Profit before tax</b>						<b>869,991</b>
<b>Income taxes</b>						<b>(74,633)</b>
<b>Profit for the period attributable to owners of the Company</b>						<b>795,358</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (4) SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2009

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Income from Champion REIT HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>SEGMENT REVENUE</b>						
External sales	131,925	1,122,384	409,444	154,143	—	1,817,896
Inter-segment sales	10,248	—	—	6,233	(16,481)	—
<b>Total</b>	<b>142,173</b>	<b>1,122,384</b>	<b>409,444</b>	<b>160,376</b>	<b>(16,481)</b>	<b>1,817,896</b>
Inter-segment sales are charged at mutually agreed prices and are recognised when services are provided.						
<b>RESULTS</b>						
Segment result	81,512	112,809	396,155	208,321		798,797
Unallocated corporate income						8,629
Unallocated corporate expenses						(79,996)
Depreciation and amortisation						(170,807)
Fair value changes on investment properties						60,421
Fair value changes on derivative financial instruments						118,288
Fair value changes on financial assets carried at fair value through profit or loss						20,769
Impairment loss recognised in respect of a hotel property						(289,490)
Finance costs						(68,961)
Share of results of associates						132
Profit before tax						397,782
Income taxes						112,967
Profit for the period attributable to owners of the Company						510,749

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (5) FINANCE COSTS

	Six Months Ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	34,517	42,012
Interest on other loans wholly repayable within five years	21,931	22,047
Other borrowing costs	6,338	4,902
	62,786	68,961

## (6) INCOME TAXES

	Six Months Ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Current tax:		
Current period:		
Hong Kong Profits Tax	42,975	54,360
Other jurisdictions	10,310	5,487
	53,285	59,847
Under(over)provision in prior periods:		
Hong Kong Profits Tax	240	(72)
Other jurisdictions	—	(198)
	240	(270)
	53,525	59,577
Deferred tax:		
Current period	21,108	(172,544)
	74,633	(112,967)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (7) PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six Months Ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Staff costs (including directors' emoluments)	673,439	555,823
Share based payments (including directors' emoluments)	5,703	1,988
	679,142	557,811
Depreciation on		
– leasehold land	22,387	22,387
– freehold land and hotel buildings	91,672	89,997
– other property, plant and equipment	51,343	58,423
	165,402	170,807
Loss on disposal of property, plant and equipment (included in other expenses)	—	242
Net exchange loss	556	1,945
and after crediting:		
Dividend income from listed investments:		
– Champion REIT	324,080	273,239
– Others	26	35
	324,106	273,274
Release of overprovision on construction fee payable (Note)	—	105,256
Interest income	87,714	82,735

Note:

During the period ended 30 June 2009, the construction fee payable in respect of investment properties disposed on 3 June 2008 was finalised, resulting in a release of provision on construction fee payable amounting to HK\$105,256,000 which was included in other income as disclosed in the condensed consolidated income statement.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (8) DIVIDENDS

	Six Months Ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Dividends paid and recognised as distribution during the period:		
2009 Final dividend paid – HK35 cents per share	217,938	—
2008 Final dividend paid – HK35 cents per share	—	213,381
	217,938	213,381
Interim dividend declared – HK19 cents per share (six months ended 30 June 2009: HK17 cents per share)	118,331	105,711

On 15 June 2010, a dividend of HK35 cents per share (final dividend of 2008: HK35 cents per share), which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend for 2009. The scrip dividend alternatives were accepted by the shareholders as follows:

	Six Months Ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Dividends:		
Cash	215,687	56,852
Share alternative	2,251	156,529
	217,938	213,381

The Directors have determined that an interim dividend of HK19 cents per share (2009: HK17 cents per share) will be paid to the shareholders of the Company whose names appear in the Registers of Members on 8 October 2010.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (9) EARNINGS PER SHARE

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

	Six Months Ended 30 June	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	795,358	510,749

	Six Months Ended 30 June	
	2010	2009
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	622,451,479	609,932,940
Effect of dilutive potential shares:		
Share options	1,534,034	—
Weighted average number of shares for the purpose of diluted earnings per share	623,985,513	609,932,940

The calculation of diluted earnings per share for the six months ended 30 June 2009 did not assume the exercise of the Company's share options as the exercise prices of the share options were higher than the average market price of the Company's shares for the period.

## (10) MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group has additions in relation to structural improvement work and renovation work on hotel properties of HK\$71,163,000 (six months ended 30 June 2009: HK\$205,966,000). The additions and disposals of other property, plant and equipment were HK\$49,632,000 (six months ended 30 June 2009: HK\$26,738,000) and HK\$8,000 (six months ended 30 June 2009: HK\$362,000), respectively. The Group had additions to improvement work on investment properties at a cost of HK\$523,000 (six months ended 30 June 2009: HK\$2,736,000) and disposed of an investment property at a net consideration of HK\$12,915,000 for the six months ended 30 June 2009. During the six months ended 30 June 2010, the investment properties with carrying value of HK\$91,000,000 were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation. In addition, property, plant and equipment of HK\$19,711,000 were transferred to investment properties due to change in use from owner occupation to earning rental from outsiders. At the date of change in use, the fair value of the property was HK\$23,500,000, the excess of fair value over the carrying value of the property at that date of HK\$3,789,000 was recognised in property revaluation reserve.

At 30 June 2009 and 2010, the Directors conducted an impairment assessment on hotel properties, no additional impairment loss was recognised for the six months ended 30 June 2010. The recoverable amounts of hotel properties located in the United States of America ("USA") at 30 June 2009 were determined less than their carrying amounts. The review led to the recognition of an impairment loss of HK\$289,490,000 in the condensed consolidated income statement for the six months ended 30 June 2009. The recoverable amount of the hotel properties (comprising freehold land and hotel building) were determined by value in use calculation which were estimated using the future cash flows expected to arise and a suitable discount rate of 10.5% in order to calculate the present value.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## **(10) MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES** *(Continued)*

The fair value of the Group's investment properties of HK\$3,753,908,000 as at 30 June 2010 (31 December 2009: HK\$3,651,711,000) was carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Savills Valuation and Professional Services Limited

Investment properties in the USA – Cushman & Wakefield Western, Inc.

The valuations for investment properties in Hong Kong were arrived at by using income capitalisation method which is determined based on the future cash flow of market rentals at market yield expected by property investors.

The valuations for investment properties in the USA were arrived at by using discounted cash flow method supported by the terms of any existing lease and using discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

## **(11) INTEREST IN A JOINTLY CONTROLLED ENTITY**

On 15 October 2009, a subsidiary of Wealth Joy (defined in note 2) successfully tendered for a plot of land at a consideration of RMB734 million (equivalent to approximately HK\$835 million) in Donggang area, Renmin Road East, which is the commercial and financial centre of Dalian, the People's Republic of China (the "Land"). RMB520 million (equivalent to approximately HK\$591 million) as a deposit for the leasehold land (the "Deposit") had been paid as at 31 December 2009.

On 5 February 2010, a subscription and shareholders' agreement (the "Agreement") was signed between Queenbrook Investments Limited ("Queenbrook"), the immediate holding company of Wealth Joy, and an independent third party investor (the "Investor") for jointly developing the Land (the "Project"). Completion of the Agreement took place on 26 February 2010 and 50% of issued share capital of Wealth Joy was disposed to the Investor at a consideration of HK\$295,500,000, which was equal to its share of net identifiable assets at the date of completion of the Agreement. Pursuant to the Agreement, the financial and operating policies of Wealth Joy require unanimous consent from the Group and the Investor. Since then, Wealth Joy became a jointly controlled entity ("JCE") of the Group. After the disposal, each of the Group and the Investor had further injected capital of HK\$224,612,000 to the JCE for funding the development of the Project during the period. The Group's interest of the JCE amounted to HK\$520,112,000 as at 30 June 2010.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (12) AVAILABLE FOR SALE INVESTMENTS

Available for sale investments comprise:

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Listed securities in Hong Kong:		
– units issued by Champion REIT	9,017,194	7,982,977
– equity securities	73,405	80,292
Unlisted equity securities in Hong Kong	19,781	19,781
	<b>9,110,380</b>	<b>8,083,050</b>
Market value of listed securities	<b>9,090,599</b>	<b>8,063,269</b>

The Group's investment in Champion REIT represents approximately 51% (31 December 2009: 51%) unitholding of Champion REIT. The principal activity of Champion REIT is property investment. Champion REIT is a trust constituted by the Trust Deed and regulated by, inter alia, the Code on Real Estate Investment Trusts ("REIT Code") issued by the Securities and Futures Commission of Hong Kong, which prescribes certain rights, duties and obligations of the manager, trustee and unitholders under the Trust Deed. The Directors of the Company have evaluated these factors and have concluded that the Group does not exercise control or significant influence on the operating and financial policies of Champion REIT at 30 June 2010 and 31 December 2009 and hence Champion REIT is not regarded as a subsidiary or an associate of the Group.

In determining whether there exists any objective evidence of impairment of the Group's investment in Champion REIT, the Directors of the Company consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of Champion REIT. The Directors of the Company assessed that no objective evidence of impairment was identified. Accordingly, no impairment is recognised.

At the end of the reporting period, all the listed securities are stated at fair value which have been determined by reference to closing prices quoted in the active markets.

Unlisted investments represent unlisted equity investments and club debentures. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so widespread that the Directors of the Company are of the opinion that their fair values cannot be measured reliably since significant subjective judgements are required in valuing their underlying assets.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (13) INVESTMENT IN CONVERTIBLE BONDS

	Straight debt HK\$'000 (unaudited)	Embedded derivatives HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
At 1 January 2010	2,420,897	300,612	2,721,509
Interest income recognised during the period	75,835	—	75,835
Interest received	(11,700)	—	(11,700)
Change in fair value recognised in profit or loss	—	98,358	98,358
At 30 June 2010	2,485,032	398,970	2,884,002

On 3 June 2008, the Group subscribed an aggregate principal amount of HK\$2,340 million 1% guaranteed convertible bonds due 2013 ("Bonds") issued by Champion REIT. Details of the transaction were set out in the announcement of the Company dated 28 May 2008 and 3 June 2008.

The Bonds entitle the holders to convert them into units of Champion REIT at any time on or after 3 June 2009 up to the date which is seven days prior to 3 June 2013 at conversion price adjusted to HK\$3.83 per unit on 13 October 2009 and re-adjusted to HK\$3.69 per unit on 25 May 2010. If the holder has elected to convert the Bonds, the issuer shall have an option to pay to the holders in whole or in part an amount of cash equal to the market values of the number of units deliverable. If the Bonds have not been converted, redeemed by the issuer or the holders or purchased and cancelled, they will be redeemed on 3 June 2013 at 123.94% of the outstanding principal amount. Interest of 1% will be paid semi-annually in arrears on 3 June and 3 December each year, commencing on 3 December 2008.

The Bonds has been split between a straight debt receivable component and embedded derivatives. The effective interest rate of the straight debt receivable component is 6.27% per annum.

The fair value of the embedded derivatives at the end of the reporting period is based on valuation carried out by an independent valuer. The fair value is determined based on the Binomial model using the assumptions that are supported by observable market data, including dividend yield of 7% (31 December 2009: 8.02%), unit price of Champion REIT at HK\$3.63 (31 December 2009: HK\$3.30), risk-free rate of 1.07% (31 December 2009: 2.09%) in respective of the Bonds, and expected volatility of 39.81% (31 December 2009: 39.93%) with reference to Champion REIT's historical volatility of the past 4 years (31 December 2009: 3.5 years).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (14) NOTES RECEIVABLE

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Unsecured bonds	181,598	269,980
Medium term notes	559,759	157,551
	741,357	427,531
Less: Amounts due within one year shown under current assets	(573,130)	(204,118)
Amounts due after one year	168,227	223,413

At 30 June 2010, the Group held unsecured bonds and medium term notes with principals amounting to HK\$181,598,000 (31 December 2009: HK\$269,980,000) and HK\$559,759,000 (31 December 2009: HK\$157,551,000), respectively, issued by reputable financial institutions.

The unsecured bonds denominated in United States dollars and Australian dollars carry annual fixed coupon ranging from 4.5% to 7.5% per annum with maturity dates ranging from July 2010 to October 2012, while the medium term notes carry interest at quarterly fixed rates ranging from 3% to 4.625% per annum in the first six to twelve months starting from the issue dates and at variable rates either relying on LIBOR plus certain spread thereafter till the maturity dates ranging from December 2010 to August 2013.

## (15) FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Held-for-trading listed securities in Hong Kong:		
– units issued by Champion REIT	132,325	120,296
Structured notes designated as at fair value through profit or loss	77,853	297,889
	210,178	418,185
Less: Amounts due within one year shown under current assets	(132,325)	(340,634)
Amounts due after one year	77,853	77,551

At 30 June 2010, the Group held a principal protected structured note with principal amount of US\$10,000,000 amounting to HK\$77,853,000 (31 December 2009: HK\$297,889,000) with banks with maturity on September 2011. The structured note contains embedded derivatives with their interest components linked to foreign exchange rate movements which are not closely related to the host contracts. The entire structured note has been designated at financial assets at fair value through profit or loss on initial recognition.

The fair value of structured note designated as at fair value through profit or loss at the end of the reporting period is provided by counterparty bank.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (16) DEBTORS, DEPOSITS AND PREPAYMENTS

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Trade debtors, net of allowance for doubtful debts	263,350	225,706
Deferred rent receivables	21,939	20,153
Other receivables	45,538	37,768
Deposits and prepayments	74,025	56,138
	<b>404,852</b>	<b>339,765</b>

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.

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
0 - 3 months	257,226	220,820
3 - 6 months	3,566	4,086
Over 6 months	2,558	800
	<b>263,350</b>	<b>225,706</b>

## (17) CREDITORS, DEPOSITS AND ACCRUALS

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Trade creditors	130,323	150,826
Rental deposits	165,200	146,432
Construction fee payable and retention money payable	6,446	15,794
Accruals, interest payable and other payables	377,620	322,868
	<b>679,589</b>	<b>635,920</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (17) CREDITORS, DEPOSITS AND ACCRUALS *(Continued)*

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

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
0 - 3 months	122,945	145,207
3 - 6 months	2,031	43
Over 6 months	5,347	5,576
	<b>130,323</b>	<b>150,826</b>

## (18) BORROWINGS

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
Bank loans and revolving loans (secured)	3,229,437	3,439,513
Other non-current loans (secured)	1,075,884	1,077,200
	<b>4,305,321</b>	<b>4,516,713</b>
Loan front-end fee	(8,813)	(12,345)
	<b>4,296,508</b>	<b>4,504,368</b>
The maturity of the above loans is as follows:		
On demand or within one year	1,670,011	247,040
More than one year but not exceeding two years	432,993	1,601,329
More than two years but not exceeding five years	2,193,504	2,655,999
	<b>4,296,508</b>	<b>4,504,368</b>
Less: Amounts due within one year shown under current liabilities	(1,670,011)	(247,040)
Amounts due after one year	<b>2,626,497</b>	<b>4,257,328</b>

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 2010 (unaudited)	31 December 2009 (audited)
Fixed-rate borrowings	4.91% to 12.50%	4.91% to 12.50%
Variable-rate borrowings	0.67% to 5.51%	1.91% to 4.99%

At the end of the reporting period, included in the Group's borrowings are fixed-rate borrowings with carrying amount of HK\$550,267,000 (31 December 2009: HK\$552,522,000), the remaining balances were variable-rate borrowings.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (19) SHARE CAPITAL

### (a) Authorised:

	30 June 2010 (unaudited)		31 December 2009 (audited)	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
<i>Shares of HK\$0.50 each</i>				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000

### (b) Issued and fully paid:

	30 June 2010 (unaudited)		31 December 2009 (audited)	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
<i>Shares of HK\$0.50 each</i>				
Balance brought forward	621,827	310,913	609,664	304,832
Issued upon exercise of share options under the share option scheme	856	428	—	—
Issued as scrip dividends	112	57	12,163	6,081
Balance carried forward	622,795	311,398	621,827	310,913

During the period, 112,859 (2009: 12,162,356) shares of HK\$0.50 each in the Company were issued at HK\$19.94 (2009: HK\$12.87) per share as scrip dividends.

## (20) MAJOR NON-CASH TRANSACTIONS

- During the period, 112,859 (2009: 12,162,356) shares of HK\$0.50 each in the Company were issued at HK\$19.94 (2009: HK\$12.87) per share as scrip dividends.
- During the period, 27,830,682 (2009: 51,107,281) units of Champion REIT were received as management service income as the manager of Champion REIT, amounting to HK\$99,912,000 (2009: HK\$98,126,000). The units are classified as available for sale investments and are held for long term purpose.
- During the period, 37,160,820 (2009: 76,256,379) units of Champion REIT were received in lieu of cash in regards of the distributions for the six months ended 31 December 2009 amounting to HK\$129,632,000 (2009: 135,035,000) on initial recognition. The units are classified as available for sale investments and are held for long term purpose.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (21) SHARE-BASED PAYMENTS

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

	Number of share options
Outstanding at 1 January 2010	6,592,000
Granted during the period	2,742,000
Exercised during the period	(856,000)
Lapsed during the period	(98,000)
Outstanding at 30 June 2010	8,380,000

The closing price of the Company's shares immediately before 4 March 2010, the date of grant, was HK\$23.

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$22.59.

During the period, share options were granted on 4 March 2010. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model was HK\$8.51. The exercise price of the options was HK\$22.80. The options were exercisable for 36 months on the expiry of 24-month vesting period after the date of grant.

## (22) COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2010, 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\$95,097,000 (31 December 2009: HK\$308,947,000) of which HK\$70,330,000 (31 December 2009: HK\$308,947,000) was contracted for.

At 30 June 2010, the Group's share of commitment on payment of leasehold land by the JCE amounted to HK\$124,327,000 (31 December 2009: nil).

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (23) RELATED PARTY DISCLOSURES

The Group had the following significant related party transactions during the period and balances at the end of the reporting period with associates, a jointly controlled entity and related 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	
	2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
<b>Transactions with related companies for the period</b>		
Trading income	422	188
Rental income	2,127	2,173
Management service income	697	697
Rental charges	300	300
Procurement income	689	—
<b>Transactions with a jointly controlled entity for the period</b>		
Project advisory income	9,287	—
Investment management income	4,095	—

	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
<b>Balances with associates, a jointly controlled entity and related companies as at</b>		
Amounts due from associates (Note 1)	12,077	12,077
Amount due from a jointly controlled entity (included in debtors, deposits and prepayments) (Note 2)	13,382	—
Amounts due from related companies (included in debtors, deposits and prepayments) (Note 2)	316	768
Amounts due to related companies (included in creditors, deposits and accruals) (Note 2)	747	824

Notes:

1. The amounts due from associates are unsecured, interest free and have no fixed repayment terms. The associates are not expected to repay within twelve months from the end of the reporting period and the balances are classified as non-current.
2. The amounts are unsecured, interest-free and repayable on demand.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

## (24) EVENTS AFTER THE INTERIM PERIOD

- (a) On 23 July 2010, Champion REIT announced that amendments have been made to the Trust Deed to comply with the revisions to the REIT Code published by The Securities and Future Commission of Hong Kong on 25 June 2010. The Directors evaluated the amendments to the REIT Code, the Trust Deed and those factors as disclosed in note 12 and concluded that the Group is able to exert significant influence on Champion REIT upon amendment to the Trust Deed in July 2010. Accordingly, the Group's holding of units issued by Champion REIT (included in available for sale investments and held for trading investments as disclosed in notes 12 and 15, respectively) were reclassified as investment in an associate thereafter.
  
- (b) On 19 August 2010, the Group completed an acquisition of one-third of the equity interest of Magic Garden Investments Limited ("MGIL"), a wholly owned subsidiary of Shui On Investment Company Limited ("Shui On"), at a consideration of approximately US\$24,118,000 (equivalent to approximately HK\$188,120,000) pursuant to a sales and purchase agreement entered among an indirectly wholly owned subsidiary of the Company, the chairman and managing director of the Group and Shui On, which is privately beneficially owned by a director of the Company, on 1 April 2010. MGIL indirectly holds a hotel under development on Lot 108 in the Luwan District, Shanghai. Details of the sales and purchase agreement were disclosed in an announcement issued on 1 April 2010 and a circular dated 21 April 2010 pursuant to the Listing Rules.

