



# Great Eagle Holdings Limited 鷹君集團有限公司

Incorporated in Bermuda with limited liability (Stock Code: 41)  
於百慕達註冊成立之有限公司 (股份代號：41)



INTERIM REPORT 2009  
二零零九年中期報告

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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*

<sup>\*</sup> *Independent Non-executive Directors*

<sup>†</sup> *Appointed on 27 August 2009*

## AUDIT COMMITTEE

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

<sup>†</sup> *Appointed on 27 August 2009*

## 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  
Fax: (852) 2827 5799

## PRINCIPAL SHARE REGISTRARS

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

## HONG KONG BRANCH SHARE REGISTRARS

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong  
Tel: (852) 2862 8628  
Fax: (852) 2529 6087

## WEBSITE

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

## STOCK CODE

41

## FINANCIAL HIGHLIGHTS

	Six Months Ended 30 June		
	2009 (million)	2008 (million)	Change
Revenue	<b>1,817.9</b>	2,437.4	-25.4%
Statutory Profit attributable to equity holders	<b>510.7</b>	129.9	293.1%
Profit from core business after tax	<b>570.6</b>	512.1	11.4%
Profit from core business after tax (per share)	<b>HK\$0.94</b>	HK\$0.85	10.6%
Interim Dividend (per share)	<b>HK\$0.17</b>	HK\$0.20	
	30 June 2009	31 December 2008	
Net Gearing	<b>8%</b>	6%	
Book Value (per share)	<b>HK\$31.9</b>	HK\$29.5	

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

Following an unprecedented level of monetary policy easing around the world, the global financial markets appeared to have stabilized towards mid-year 2009. However, the effects of the easing had yet to materially flow through to the real economy in the first half of 2009, when demand remained lackluster. That had a negative impact on the Group's operations.

Revenue for the first half of 2009 dropped by 25% year-on-year to HK\$1,818 million, mainly due to the significantly weaker performance of the Hotels division, and lower direct rental income following the spin off of Langham Place in June 2008. Contrary to the significant drop in top-line revenue, core profit for the half-year increased 11% year-on-year to HK\$571 million. This was primarily due to an increase of HK\$74 million in contribution from Champion REIT, and a reduction in net interest expense, which dropped by HK\$151 million, but also because of two one-off items, namely a HK\$105 million write-back of overprovided construction costs for Langham Place and the absence of further write-off of fixed assets associated with hotel renovations, which amounted to HK\$107 million in the first half of 2008.

## BUSINESS REVIEW

### HOTEL PORTFOLIO

A lower level of economic activities, thus reduced demand for hotel accommodation from corporate and leisure travellers as well as the curtailing of meeting and conference events by corporates, placed tremendous pressure on the Group's hotel operations during the first half of 2009. The situation was exacerbated by the onset of the H1N1 influenza in April. Occupancy rates dropped across the portfolio and intensified competition led to lower average room rates for our hotels, as compared with last year. Revenue from the Hotels Division dropped by 28% year-on-year to HK\$1,122 million for the first half of 2009. As a result, EBITDA dropped by 65% year-on-year to HK\$112 million.

Despite an industry phenomenon of declining room rates, all of our hotels have maintained their competitiveness, and most have maintained their market shares in their respective cities. Furthermore, numerous cost control measures have been implemented to counter the impact of falling revenues.

Despite the weak market conditions, the Division continued to expand the presence of the Langham brand to key cities. The Langham, Yangtze Boutique Hotel, situated in the heart of Shanghai was opened in May 2009. This hotel is operated under a pure hotel management contract, with no equity investment from the Group. For our other hotel management contracts, some properties are scheduled to open on time, while others have been delayed as a result of the financial crisis. We have signed three new hotel management contracts in Thailand this year.

### Hong Kong Hotels

#### *The Langham, Hong Kong*

Business results suffered from the economic crisis, and were further dampened by the H1N1 virus. The downturn has led to numerous postponement and cancellations from corporate and individual travellers, which lowered occupancy rate for the hotel. Nevertheless, strong banqueting business helped to partially offset lower food and beverage revenue from occupied rooms.

For the six months ended June 2009, the hotel achieved an average occupancy of 66% (2008: 79%) and average room rate of HK\$1,479 (2008: HK\$1,784).

# MANAGEMENT DISCUSSION AND ANALYSIS

## *The Langham Place, Hong Kong*

On top of a difficult business environment, strategy to upgrade guest mix towards more frequent individual travellers has resulted in more pressure on occupancy rate. Demand for food & beverages also remained soft, with slower pick-ups in banquets and catering.

For the six months ended June 2009, the hotel achieved an average occupancy of 66% (2008: 85%) and average room rate of HK\$1,252 (2008: HK\$1,406).

## *Eaton Hong Kong*

The negative market sentiments combined with the H1N1 virus impacted hotel's performance for the first half of the year with revenue per available room declining 34% compared with that achieved last year. The food and beverage department saw reduction in banqueting business, particularly from corporate meetings and conferences.

For the six months ended June 2009, the hotel achieved an average occupancy of 69% (2008: 88%) and average room rate of HK\$764 (2008: HK\$906).

## **International Hotels**

### *The Langham, London*

Hotel's first half year results were impacted by the global financial crisis, in addition to the major renovation programme. There were considerable rate pressures as demand from the finance sector fell significantly. Slower pick-up in food & beverage was due to low occupancy and the delay in opening new outlets and renovated rooms.

The hotel was officially re-opened on 9 June with very positive media feedback. Re-launch promotions are in place to rebuild its market share post refurbishment. The hotel, having been renovated to the highest standards, will also help to anchor the Langham brand.

For the six months ended June 2009, the hotel achieved an average occupancy of 57% on average 191 available rooms (2008: 69% on 162 available rooms) and average room rate of £225 (2008: £241).

### *The Langham, Boston*

The global financial crisis continued to take its toll on hotel's operating performance with revenue per available room declining 29% compared to last year. This is mainly due to reduction in US financial corporations' business shrinking travel budgets and fewer citywide events.

For the six months ended June 2009, the hotel achieved an average occupancy of 50% (2008: 61%) and average room rate of US\$214 (2008: US\$249).

# MANAGEMENT DISCUSSION AND ANALYSIS

## *The Langham, Melbourne*

Demand was soft from the corporate market and our strategy taken last year to increase its share from higher yield retail business travellers, have resulted in lower stays from aircrew business, leading to overall lower occupancy rates for the Hotel. There was steady performance at the food & beverage outlets, but business from catering has dropped in line with a decline in corporate activities.

For the six months ended June 2009, the hotel achieved an average occupancy of 65% (2008: 81%) and average room rate of A\$269 (2008: A\$257).

## *The Langham, Auckland*

The negative market sentiments in the city hampered the hotel's operating results, which were evidenced by the slowdown in corporate and retail business. Opening of a new spa in the second quarter of 2009 and the renovation of the ballroom in the third quarter of 2009 will consolidate the hotel's competitive position in the Auckland market.

For the six months ended June 2009, the hotel achieved an average occupancy of 59% (2008: 69%) and average room rate of N\$172 (2008: N\$175).

## *The Langham Huntington Hotel & Spa, Pasadena*

Challenging operating environment faced by the hotel mainly due to cutbacks in corporate travel and shortage of meeting business affecting revenue streams. However, some positive signs have been seen in the demand from individual travellers over the first half of 2009, which will help the hotel to rebuild its market share.

For the six months ended June 2009, the hotel achieved an average occupancy of 42% (2008: 61%) and average room rate of US\$220 (2008: US\$247).

The economic environment has deteriorated significantly since the Langham Pasadena Hotel was purchased in January 2008 and it has been operating at a loss. We therefore considered it prudent to write down the carrying value of the hotel and took impairment charges amounting to HK\$173.7 million net of tax against the value of Langham Pasadena at 30 June 2009.

## *Delta Chelsea Hotel, Toronto*

Operating results were impacted by the slowdown in business travellers amid tough market conditions. Nevertheless, cost containment measures implemented at the hotel have helped to partially offset lower margins from the weak revenue stream.

For the six months ended June 2009, the hotel achieved an average occupancy of 62% (2008: 69%) and average room rate of C\$125 (2008: C\$141).

# MANAGEMENT DISCUSSION AND ANALYSIS

## INCOME FROM CHAMPION REIT

Due to the Group's accounting policy of recognising dividend income from Champion REIT at the date of payment, the dividend income recorded in the Group's 2009 first half results represented Champion REIT's distribution for the second half of 2008. The increase reflected higher rental income at Citibank Plaza as well as the inclusion of the income from Langham Place.

Total contribution from Champion REIT, including asset management and other service fee income, came to HK\$409 million over the first half of 2009, a growth of 22% over that of HK\$335 million earned over the same period in the prior year.

### Citibank Plaza

The rental market peaked in the third quarter of 2008. As a result of the contraction in demand for office space by financial institutions in the past months, rents in the Central business district fell significantly in the first half of 2009. In line with the general market, spot rents (the rental rate applicable to new leases) at Citibank Plaza have retreated from year end levels of HK\$120 per sq. ft. to approximately HK\$85 per sq. ft in June 2009.

The performance of Citibank Plaza for the first half of 2009 mainly reflected the positive effects of lease rollovers negotiated in 2008 before the current economic downturn set in. Revenue for the period in fact increased by 4.9% when compared to the second half of last year. During the period, roughly 5% of the leases in Citibank Plaza by floor area expired and a further 1.5% underwent rent review. While the spot rent has weakened, it is still on average above the expiring rents contracted up to three years ago. Thus, leasing activities have translated into a higher average passing rent rate (the average rental rate of existing contracted tenancies), which rose from HK\$87.46 per sq. ft. in December 2008 to HK\$90.49 per sq. ft. in June 2009.

The increase in passing rent has had a positive impact, and has offset the increase in vacancy. The occupancy rate at Citibank Plaza was 94.9% as at the end of June 2009 as compared to 97.9% at the end of 2008.

### Langham Place Office Tower

Office leasing conditions at Langham Place have been stable and the spot rent has been maintained at approximately HK\$30 per sq. ft. The building remained very full as at the end of June 2009 with an occupancy rate of 97.9%.

Langham Place's reputation as a proven quality development and its superior subway location have been important factors in retaining the vast majority of expiring leases for 2009. The bulk of this year's lease expiries have already been renegotiated at rents higher than the passing rent rate and occupancy should remain at a high level for the remainder of the year.

### Langham Place Mall

The unique experience offered by the Langham Place Mall, together with its focus on mid-priced fashion and well executed promotion events, has continued to attract shoppers. With the slower economy, growth in foot traffic has moderated but systematic discounting by some retailers and better performance of the new anchor tenants has allowed the Mall to maintain the average sales per sq. ft. at approximately the same level as last year. The Mall remains popular among retailers and occupancy of the mall has increased from 97.7% at the end of 2008 to 99.7% at mid-year 2009.

On 6 August 2009, Champion REIT declared a Distribution of HK\$0.1314 Per Unit for its first half results in 2009, and it will be recorded in the Group's second half's results in 2009. It should be noted that Champion REIT has reduced its pay out ratio to 90% of its distributable income for its first half results, compared with a 100% payout ratio in the past.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INVESTMENT PROPERTY PORTFOLIO

Over the first half of 2009, gross and net rental income from our rental portfolio decreased by 65% and 69% year-on-year to HK\$123 million and HK\$81 million respectively. The significant drop was due to the loss of rental income from Langham Place, following its sale to Champion REIT in June 2008.

Excluding the impact of Langham Place, gross rental income of our other investment properties in Hong Kong and the United States was down 7% year-on-year, whereas net rental income only dropped by 4% on a year-on-year basis. The lower drop in net rental income was due to lower leasing expenses incurred for the properties in the United States. The lower leasing expense actually translated to a slight increase in net rental income from the United States, which helped to partially offset the drop in net rental income from the group's serviced apartments in Hong Kong.

### Great Eagle Centre

Despite a weakened economy, Great Eagle Centre continued to see positive rental reversion in the first half of 2009, as leases were renewed at overall higher rent rates than those of the expiring terms. As a result, gross rental income for the first half of 2009 increased by 5.3% year-on-year to HK\$48.5 million, and net rental income rose 2.7% to HK\$46.2 million.

Average passing rents at the Great Eagle Centre came to HK\$47.2 per square foot at the end of June 2009, 14.7% higher than that at the prior year date. On the other hand, vacancy rate increased to 8.9% as at the end of June 2009 from 6.4% as at the end of December 2008. While the mid-year vacancy rate was high, a majority of the vacancy has subsequently been re-let, and that should lead to a much lower vacancy rate by the end of the year.

### Eaton Serviced Apartments

The release of the renovated rooms, particularly those at Village Road have helped to stabilise achieved rental rates for the Group's serviced apartments in the first half of 2009. However, the impact of the financial crisis on demand for short-term accommodation was quite severe. Occupancy rate dropped from 82% in the first half of 2008 to 55.7% in the first half of 2009. As a result net rental income dropped 38.9% year-on-year to HK\$8 million. The continued weak demand, coupled with a surge in supply of serviced apartments on Hong Kong Island will continue to exert pressure on performance of the serviced apartments.

### United States Properties

Gross rental income from the U.S. portfolio for the first half of 2009 dropped by 9% year-on-year to HK\$55.3 million, reflecting the impact from the market downturn with lower passing rents and occupancy rates. Net rental income, on the other hand, showed a slight increase over that for the same period in 2008, mainly due to lower cost associated with new lettings. As at the end of June 2009, overall occupancy rate for the portfolio stood at 86% as compared with 94% as at the end of 2008. As only a very small fraction of the leases will be up for renewal over the coming twelve months, this will help to stabilise passing rent and occupancy rates.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Debt

Gross debts denominated in HK dollars amounted to HK\$1,380 million as of 30 June 2009. Our foreign currency gross debts as of 30 June 2009 amounted to the equivalent of HK\$3,231 million, of which the equivalent of HK\$553 million, or 17.1% 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\$2,944 million, our consolidated net debt outstanding as of 30 June 2009 was HK\$1,667 million, an increase of HK\$634 million from that of HK\$1,033 million as of 31 December 2008.

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 2009, investment in structured deposits and notes amounted to HK\$201 million. Should this amount be taken into account, the consolidated net borrowing of the Group would be reduced to HK\$1,466 million.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2009 and the depreciated costs of the Group's hotel properties, amounted to HK\$19,812 million as of 30 June 2009. The net assets value at 30 June 2009 represents an increase of HK\$1,837 million compared to the value of HK\$17,975 million as of 31 December 2008, 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\$1,667 million, the resulting gearing ratio at 30 June 2009 was 8%. Should the investment in structured deposits and notes mentioned above be recognised in the calculation, the gearing ratio will be reduced to 7%.

### Finance Cost

During the reporting 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\$14 million for the first half of 2009. Consequently, there is no applicable interest cover ratio as at the balance sheet date (31 December 2008: 11.79 times).

### Liquidity and Debt Maturity Profile

As of 30 June 2009, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$4,771 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 2009:

Within 1 year	37.4%
1-2 years	35.1%
3-5 years	27.5%

### Pledge of Assets

At 30 June 2009, properties of the Group with a total carrying value of approximately HK\$12,325 million (31 December 2008: HK\$12,486 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Commitments and Contingent Liabilities

As at 30 June 2009, the Group has authorised capital expenditures not provided for in these financial statements amounting to approximately HK\$116 million (31 December 2008: HK\$264 million) of which approximately HK\$114 million (31 December 2008: HK\$263 million) was contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 30 June 2009.

## OUTLOOK

Despite the extraordinary efforts by governments around the world to keep credit flowing, the sustainability of the liquidity flow and the degree of spillover to the broader economy are still unclear. At present, there are few signs to confirm a lasting recovery, and there should be a high degree of volatility in the near term.

Under these circumstances, it will take some time before general confidence can be fully restored. As such, there should be continued weakness in our core earnings in the second half of this year, especially for the Hotels division, where significant pricing pressure remains. Yield management and cost containment will continue to be the priorities of the division.

We remain cautious on the prospects of the office market in Hong Kong in the near term, as new demand for office space from the financial sector has yet to show any strength. That should affect the income that Champion REIT will derive from Citibank Plaza. The steady performance of the Langham Place properties in a slow market is encouraging but whatever increase in its contribution would unlikely be sufficient to offset the decline in income at the Central property. It is probable that the income contribution from Champion REIT would see some decline in the second half of 2009.

With a very strong and liquid balance sheet, we are well placed to capitalize on new investment opportunities. We have among other things been examining a number of interesting investment opportunities in China, but will prudently allocate resources to projects that meet our high threshold for quality and return.

**LO Ka Shui**

*Chairman and Managing Director*

Hong Kong, 26 August 2009

# DISCLOSURE OF INTERESTS

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

As at 30 June 2009, the interests and short position 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 ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Director	Number of Ordinary Shares					Total	Percentage of shareholding <sup>(6)</sup>	Number of outstanding share options
	Personal interests	Family interests	Corporate interests	Other interests				
Lo Ka Shui	29,123,107	—	—	279,372,494 <sup>(1)</sup>	308,495,601	49.61	1,509,000	
Lo Kai Shui	—	—	629,785 <sup>(2)</sup>	205,831,599 <sup>(3)</sup>	206,461,384	33.20	525,000	
Lo To Lee Kwan	984,693	—	4,525,393 <sup>(4)</sup>	205,831,599 <sup>(3)</sup>	211,341,685	33.98	—	
Cheng Hoi Chuen, Vincent	—	10,000	—	—	10,000	—	—	
Lo Hong Sui, Antony	2,984	—	—	205,831,599 <sup>(3)</sup>	205,834,583	33.10	375,000	
Law Wai Duen	1,047,475	—	—	205,831,599 <sup>(3)</sup>	206,879,074	33.26	212,000	
Lo Hong Sui, Vincent	293	—	—	205,831,599 <sup>(3)</sup>	205,831,892	33.10	—	
Lo Ying Sui, Archie	3,855,046	3,700	33,269,396 <sup>(5)</sup>	205,831,599 <sup>(3)</sup>	242,959,741	39.07	—	
Kan Tak Kwong	883,830	—	—	—	883,830	0.14	670,000	

Notes:

(1) 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 as at the date of this Interim Report; and
- (ii) 73,540,895 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the Founder.

(2) 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 respectively. Mr. Lo Kai Shui is also a director of these companies.

## DISCLOSURE OF INTERESTS

- (3) These shares are the same parcel of shares referred to in Note (1)(i) above.
- (4) 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.
- (5) 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.
- (6) This percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2009 of 621,826,515 shares and rounded down to 2 decimal places.

### 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 2009, none of the Directors or chief executives of the Company were taken to be interested or deemed to have any other interests or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTIONS

The Company operates the share option schemes for the purpose of motivating officers, employees, associates, agents and contractors of the Company or any subsidiary and to allow them to participate in the growth of the Company.

Since the share option scheme (“1999 Share Option Scheme”) adopted by the Company on 10 June 1999 would expire on 10 June 2009, at the 2009 Annual General Meeting ordinary resolutions were proposed to approve the adoption of a new share option scheme (“New Share Option Scheme”) and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the Shareholders and the New Share Option Scheme became effective for a period of 10 years commencing on 27 May 2009. Options granted during the life of the 1999 Share Option Scheme and remain unexpired prior to the expiry of the 1999 Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the expiry of the 1999 Share Option Scheme.

Under the New Share Option Scheme, the consideration paid for each grant of share options will be HK\$1.00. The subscription price shall be determined by the Board and notified to a participant and shall be at least the higher of : (i) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant, and as subsequently adjusted pursuant to the terms of the New Share Option Scheme, if appropriate. Details of the principal terms of the New Share Option Scheme were summarised and set out in a circular to Shareholders dated 14 April 2009.

# DISCLOSURE OF INTERESTS

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

During the six months ended 30 June 2009, no share options were granted under the New Share Option Scheme and the details of the movements in the share options granted to the Company's employees (including Directors) under the 1999 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

Date of grant	Number of Shares Options granted to Employees (including Directors)					Exercise Period	Exercise price per share (HK\$)
	Outstanding as at 1/1/2009	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/06/2009		
16/03/2004	5,000	—	—	(5,000)	—	17/03/2006-16/03/2009	13.55
17/03/2005	898,000	—	—	—	898,000	18/03/2007-17/03/2010	18.21
04/01/2007	2,915,000	—	—	(111,000)	2,804,000	05/01/2009-04/01/2012	22.35
08/01/2009	—	2,990,000 <sup>(3) (4)</sup>	—	(52,000)	2,938,000	09/01/2011-08/01/2014	9.34
<b>Total</b>	<b>3,818,000</b>	<b>2,990,000</b>	<b>—</b>	<b>(168,000)</b>	<b>6,640,000</b>		

Notes:

- (1) Consideration paid for each grant of share options was HK\$1.00
- (2) The vesting period for the share options granted is 24 months from date of grant.
- (3) The closing price of the shares of the Company quoted on the Stock Exchange on 7 January 2009 being the business date immediately before the date of grant (i.e. 8 January 2009) was HK\$9.45.
- (4) During the six months ended 30 June 2009, 1,221,000 and 1,769,000 share options were granted to the Directors and other employees of the Company respectively.
- (5) During the six months ended 30 June 2009, no share options were cancelled.
- (6) The fair value of all the options granted under the relevant share option scheme during the six months ended 30 June 2009 which measured at the date of grant (i.e. 8 January 2009) were totally approximately of HK\$9,448,400. The following significant assumptions were used to derive the fair value by using the Black-Scholes Option Pricing Model:

Expected volatility	:	52.48% based on historical volatility
Expected dividend yield	:	5.749%
Expected life	:	5 years from the date of grant
Risk free rate	:	1.309% being the approximately yield of 5-year Exchange Fund Note on the date of grant

All the share options forfeited, if any, before expiry of the options will be treated as lapsed options under the relevant share option scheme.

## DISCLOSURE OF INTERESTS

### 2. Movements of the Share Options granted to Directors

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

Number of Share Options granted to Directors						
Name of Director	Date of grant	Outstanding as at 1/1/2009	Grant During the period	Exercised During the period	Lapsed During the period	Outstanding as at 30/06/2009
Lo Ka Shui	17/03/2005	300,000	—	—	—	300,000
	04/01/2007	600,000	—	—	—	600,000
	08/01/2009	—	609,000	—	—	609,000
		900,000	609,000	—	—	1,509,000
Lo Kai Shui	17/03/2005	200,000	—	—	—	200,000
	04/01/2007	200,000	—	—	—	200,000
	08/01/2009	—	125,000	—	—	125,000
		400,000	125,000	—	—	525,000
Lo Hong Sui, Antony	17/03/2005	50,000	—	—	—	50,000
	04/01/2007	200,000	—	—	—	200,000
	08/01/2009	—	125,000	—	—	125,000
		250,000	125,000	—	—	375,000
Law Wai Duen	04/01/2007	100,000	—	—	—	100,000
	08/01/2009	—	112,000	—	—	112,000
		100,000	112,000	—	—	212,000
Kan Tak Kwong	17/03/2005	120,000	—	—	—	120,000
	04/01/2007	300,000	—	—	—	300,000
	08/01/2009	—	250,000	—	—	250,000
		420,000	250,000	—	—	670,000
<b>Total</b>		<b>2,070,000</b>	<b>1,221,000</b>	<b>—</b>	<b>—</b>	<b>3,291,000</b>

# DISCLOSURE OF INTERESTS

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2009, the long positions of the following persons (other than a Director or the chief executive of the Company) who had interest or short positions in the shares or underlying shares of the Company which 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:

Name of Shareholders	Number of shares	Percentage of issued share capital <sup>(5)</sup>
HSBC International Trustee Limited	274,494,364	44.14
Powermax Agents Limited <sup>(2)</sup>	152,677,859	24.55
Surewit Finance Limited <sup>(3)</sup>	43,235,142	6.95
Adscan Holdings Limited <sup>(4)</sup>	33,269,396	5.35

Notes:

- (1) (i) A discretionary trust held 205,831,599 shares representing 33.10% of the issued share capital of the Company. The said shares were held in the name of HSBC International Trustee Limited ("HITL") as a trustee of such 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) Another discretionary trust held 73,540,895 shares representing 11.82% of the issued share capital of the Company. The said shares were held in the name of HITL as a trustee of such discretionary trust, of which Dr. Lo Ka Shui is the Founder.
- (2) Powermax Agents Limited is a wholly-owned subsidiary of HITL 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 a wholly-owned subsidiary of HITL and the said 43,235,142 shares held by it are among the shares referred to in Note (1)(ii) above.
- (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 2009 of 621,826,515 shares and rounded down to 2 decimal places.

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

## OTHER INFORMATION

### REVIEW OF INTERIM RESULTS

The financial statements for the six months ended 30 June 2009 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 the Independent Auditors Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2009, 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 ("CG Code") contained in Appendix 14 to the Main Board 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 three Independent Non-executive Directors.

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

While the Bye-laws of the Company requires that one-third of the directors (other than the executive chairman and managing director) should retire by rotation, the Non-executive Directors (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.

## OTHER INFORMATION

### COMPLIANCE WITH THE MODEL CODE

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company (“Code of Conduct for Securities Transactions”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of the Listed Issuers (“Model Code”) contained in Appendix 10 of the Listing Rules and the same has been updated in accordance with the new 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 and the Model Code throughout the period under review.

### ADOPTION OF CHINESE NAME AS SECONDARY NAME

At the Annual General Meeting of the Company held on 27 May 2009 (“2009 Annual General Meeting”) the special resolution relating to the adoption of the Chinese name “鷹君集團有限公司” as secondary name of the Company was passed by the Shareholders of the Company. The Chinese Name has been entered on the register by the Registrar of Companies in Bermuda on 5 June 2009. All existing certificates for securities of the Company in issue, after the adoption of Chinese Name, will continue to be evidence of title to such securities of the Company and will continue to be valid for trading, settlement, delivery and registration purpose. Meanwhile, a Chinese stock short name “鷹君” for trading in Shares on the Stock Exchange has been adopted by the Company with effect from 15 July 2009.

### ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF OPERATION OF 1999 SHARE OPTION SCHEME

Since the share option scheme (“1999 Share Option Scheme”) adopted by the Company on 10 June 1999 would expire on 10 June 2009, at the 2009 Annual General Meeting ordinary resolutions were proposed to approve the adoption of a new share option scheme (“New Share Option Scheme”) and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the Shareholders and the New Share Option Scheme became effective for a period of 10 years commencing on 27 May 2009. A summary of the principal terms of the New Share Option Scheme was set out in a circular to Shareholders dated 14 April 2009. Options granted during the life of the 1999 Share Option Scheme and remain unexpired prior to the expiry of the 1999 Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the expiry of the 1999 Share Option Scheme.

## OTHER INFORMATION

### DISCLOSURE OF DIRECTORS INFORMATION PURSUANT TO RULE 13.51B(1)

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 2008 Annual Report of the Company are set out below:

Dr. Lo Ka Shui, Chairman and Managing Director of the Company, has been appointed as the Chairman of The Chamber of Hong Kong Listed Companies with effect from 8 May 2009.

Mr. Cheng Hoi Chuen, Vincent, an Independent Non-Executive Director of the Company, has been appointed as an Independent non-executive director of MTR Corporation Limited, a company listed on the Main Board of the Stock Exchange with effect from 10 July 2009.

On 8 January 2009, 1,221,000 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 share 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 Payments*
Lo Ka Shui ( <i>Chairman and Managing Director</i> )	609,000	HK\$1,924,440
Lo Kai Shui ( <i>Deputy Managing Director</i> )	125,000	HK\$395,000
Lo Hong Sui, Antony	125,000	HK\$395,000
Law Wai Duen	112,000	HK\$353,920
Kan Tak Kwong ( <i>General Manager</i> )	250,000	HK\$790,000

\* Further details of share-based payments are set out in note 21 to the Condensed Consolidated Financial Statements on page 47 in this Report.

### EMPLOYEES

During the period, the number of employees of the Group reduced by approximately 6% to 4,349. The decrease was attributable to staff reduction in our hotel operations. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme adopted in 2009. 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.

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

### PUBLIC FLOAT

During the six months ended 30 June 2009, the Company had maintained 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 HK17 cents per share (2008: an interim dividend of HK20 cents per share and a special interim dividend of HK\$2.7 per share) for the six months ended 30 June 2009, payable on or about 16 October 2009 to shareholders whose names appear on the Registers of Members of the Company on Friday, 9 October 2009.

## CLOSURE OF REGISTER OF MEMBERS

The Registers of Members of the Company will be closed from Tuesday, 6 October 2009 to Friday, 9 October 2009, 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 Hong Kong Branch Share Registrars of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 5 October 2009.

## KEY DATES

Interim Results Announcement	:	26 August 2009
Closure of Registers of Members	:	6 October 2009 - 9 October 2009 (both days inclusive)
Record Date for Interim Dividend	:	9 October 2009
Payment of Interim Dividend of HK17 cents per share	:	on or about 16 October 2009

# 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 21 to 48 which comprises the condensed consolidated statement of financial position of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on 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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

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

**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

26 August 2009

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	Six Months Ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Revenue	(3)	<b>1,817,896</b>	2,437,406
Cost of goods and services		<b>(1,172,211)</b>	(1,488,078)
Operating profit before depreciation and amortisation		<b>645,685</b>	949,328
Depreciation and amortisation		<b>(170,807)</b>	(177,797)
Operating profit		<b>474,878</b>	771,531
Fair value changes on investment properties		<b>60,421</b>	222,598
Fair value changes on derivative financial instruments		<b>118,288</b>	(98,967)
Fair value changes on financial assets carried at fair value through profit or loss		<b>20,769</b>	(12,342)
Other income		<b>190,262</b>	65,953
Administrative expenses		<b>(106,329)</b>	(90,886)
Other expenses		<b>(2,188)</b>	(108,471)
Impairment loss recognised in respect of a hotel property	(10)	<b>(289,490)</b>	—
Loss on disposal of property investment subsidiaries	(20)	—	(450,814)
Finance costs	(5)	<b>(68,961)</b>	(196,005)
Share of results of associates		<b>132</b>	7,187
Profit before tax		<b>397,782</b>	109,784
Income taxes	(6)	<b>112,967</b>	20,124
Profit for the period attributable to owners of the Company	(7)	<b>510,749</b>	129,908
Earnings per share	(9)		
Basic		<b>HK\$0.84</b>	HK\$0.21
Diluted		<b>HK\$0.84</b>	HK\$0.21

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six Months Ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	<u>510,749</u>	<u>129,908</u>
Other comprehensive income		
Fair value gain (loss) on available for sale investments	1,093,158	(1,292,700)
Exchange differences arising on translation of foreign operations	<u>288,320</u>	<u>7,148</u>
	<u>1,381,478</u>	<u>(1,285,552)</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>1,892,227</u></u>	<u><u>(1,155,644)</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	<i>Notes</i>	<b>As at 30 June 2009 HK\$'000 (unaudited)</b>	<b>As at 31 December 2008 HK\$'000 (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	(10)	<b>8,260,940</b>	8,038,660
Prepaid lease payments		<b>1,684,026</b>	1,706,413
Investment properties	(10)	<b>3,622,235</b>	3,571,890
Interests in associates		<b>44,084</b>	47,080
Available for sale investments	(11)	<b>5,857,040</b>	4,502,622
Investment in convertible bonds	(12)	<b>2,498,851</b>	2,326,827
Notes receivable		<b>88,493</b>	77,500
Amounts due from associates		<b>12,077</b>	12,077
Restricted cash		<b>64,637</b>	33,887
		<b>22,132,383</b>	20,316,956
<b>Current assets</b>			
Inventories		<b>63,287</b>	111,120
Debtors, deposits and prepayments	(13)	<b>362,047</b>	471,226
Prepaid lease payments		<b>44,771</b>	44,771
Financial assets carried at fair value through profit or loss	(14)	<b>294,078</b>	99,825
Bank balances and cash		<b>2,879,625</b>	3,359,122
		<b>3,643,808</b>	4,086,064
<b>Current liabilities</b>			
Creditors, deposits and accruals	(15)	<b>566,024</b>	1,055,987
Derivative financial instruments	(16)	<b>1,613</b>	7,814
Provision for taxation		<b>122,548</b>	106,609
Borrowings due within one year	(17)	<b>1,714,340</b>	1,668,963
Unsecured bank overdrafts		<b>9,545</b>	10,014
		<b>2,414,070</b>	2,849,387
<b>Net current assets</b>		<b>1,229,738</b>	1,236,677
<b>Total assets less current liabilities</b>		<b>23,362,121</b>	21,553,633

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	<i>Notes</i>	<b>As at 30 June 2009 HK\$'000 (unaudited)</b>	<b>As at 31 December 2008 HK\$'000 (audited)</b>
<b>Non-current liabilities</b>			
Borrowings due after one year	(17)	<b>2,887,710</b>	2,754,127
Deferred taxation		<b>662,330</b>	824,788
		<u><b>3,550,040</b></u>	<u>3,578,915</u>
<b>NET ASSETS</b>		<u><b>19,812,081</b></u>	<u>17,974,718</u>
<b>Equity</b>			
Share capital	(18)	<b>310,913</b>	304,832
Share premium and reserves		<b>19,501,168</b>	17,669,886
<b>TOTAL EQUITY</b>		<u><b>19,812,081</b></u>	<u>17,974,718</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Attributable to owners of the Company								
	Share capital	Share premium	Investment revaluation reserve	Capital redemption reserve	Contributed surplus	Exchange translation reserve	Share option reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008 (audited)	302,315	3,470,311	(677,823)	1,650	402,540	339,099	17,640	21,225,646	25,081,378
Profit for the period	—	—	—	—	—	—	—	129,908	129,908
Fair value loss on available for sale investments	—	—	(1,292,700)	—	—	—	—	—	(1,292,700)
Exchange difference arising on translation of foreign operations	—	—	—	—	—	7,148	—	—	7,148
Total comprehensive income and expenses for the period	—	—	(1,292,700)	—	—	7,148	—	129,908	(1,155,644)
Dividend paid	—	—	—	—	—	—	—	(211,643)	(211,643)
Shares issued at premium	2,510	118,044	—	—	—	—	(517)	—	120,037
Share issue expenses	—	(22)	—	—	—	—	—	—	(22)
Recognition of equity-settled share based payments	—	—	—	—	—	—	5,805	—	5,805
At 30 June 2008 (unaudited)	304,825	3,588,333	(1,970,523)	1,650	402,540	346,247	22,928	21,143,911	23,839,911
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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Note	Six Months Ended 30 June	
		2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
<b>Cash generated from operations</b>		<b>162,568</b>	544,974
Hong Kong Profits Tax paid		(21,932)	(24,707)
Tax paid in other jurisdictions		(19,627)	(40,467)
Tax refunded in other jurisdictions		220	—
<b>Net cash from operating activities</b>		<b>121,229</b>	479,800
<b>Investing activities</b>			
Interest received		27,918	48,921
Dividends received from listed investments		170,785	125,359
Dividend received from an associate		3,128	3,030
Additions of investment properties		(32,110)	(36,622)
Settlement of construction fee payable and retention money payable in respect of properties disposed in prior year		(217,974)	—
Additions of property, plant and equipment		(245,126)	(1,485,754)
Additions of notes receivable		(10,993)	—
Additions of available for sale investments		—	(3,700)
Additions of financial assets carried at fair value through profit and loss	(14)	(201,487)	—
Proceeds on disposal of investment properties		12,915	—
Proceeds on disposal of property investment subsidiaries		—	3,146,537
Proceeds on disposal of property, plant and equipment		120	68
Decrease in pledged bank deposits		—	25,802
(Increase) decrease in restricted cash		(30,750)	567,599
<b>Net cash (used in) from investing activities</b>		<b>(523,574)</b>	2,391,240

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	<b>Six Months Ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Financing activities</b>		
Interest paid	<b>(72,561)</b>	(198,373)
Issue of shares	—	1,420
Share issue expenses	—	(22)
Bank loans raised	<b>75,357</b>	792,822
Repayments of bank and revolving loans	<b>(63,786)</b>	(459,945)
Dividends paid to shareholders	<b>(56,852)</b>	(93,026)
	<hr/>	<hr/>
<b>Net cash (used in) from financing activities</b>	<b>(117,842)</b>	42,876
	<hr/>	<hr/>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(520,187)</b>	2,913,916
<b>Effect of foreign exchange rate changes</b>	<b>41,159</b>	(3,073)
<b>Cash and cash equivalents at 1 January</b>	<b>3,349,108</b>	2,883,478
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June</b>	<b>2,870,080</b>	5,794,321
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	<b>2,879,625</b>	5,795,414
Bank overdrafts	<b>(9,545)</b>	(1,093)
	<hr/>	<hr/>
	<b>2,870,080</b>	5,794,321
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (1) BASIS OF PREPARATION

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

## (2) PRINCIPAL ACCOUNTING POLICIES

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

A number of new or revised Standards and Interpretation are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008.

### HKAS 1 (REVISED 2007) PRESENTATION OF FINANCIAL STATEMENTS

(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised 2007) has had no impact on the reported results or financial position of the Group.

### HKFRS 8 OPERATING SEGMENTS

(effective for annual periods beginning on or after 1 January 2009)

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. This resulted in a redesignation of the Group's reportable segments (see note 4) but had no impact on the reported results or financial position of the Group.

The adoption of the remaining new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as Part of the Improvements to HKFRSs Issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2009 <sup>2</sup>
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKAS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised 2008)	Business Combinations <sup>1</sup>
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) - Int 18	Transfers of Assets from Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual period beginning on or after 1 January 2010

<sup>4</sup> Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions.

The Directors anticipate that the application of these 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, agency commission and income from fitness centre operations.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (3) REVENUE *(Continued)*

	Six Months Ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Property rental income	122,545	350,325
Building management service income	9,380	42,135
Hotel income	1,122,384	1,548,921
Sales of goods	63,122	78,749
Dividend income	273,274	125,359
Management service income received as a manager of real estate investment trust	105,194	186,977
Others	121,997	104,940
	<u>1,817,896</u>	<u>2,437,406</u>

## (4) SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. 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. In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result, an additional reportable segment "Income from Champion Real Estate Investment Trust ("Champion REIT")" was reported. However, the adoption of HKFRS 8 has not changed the basis of measurement of segment results. The Group's reportable segments under HKFRS 8 are therefore as follows:

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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

Property investment in Hong Kong	—	rental income from leasing of properties and furnished apartments and properties held for investment potential in Hong Kong.
Property investment in the USA	—	rental income from leasing of properties and properties held for investment potential in the United States of America ("USA").
Hotel operation	—	hotel accommodation, food and banquet operations.
Income from Champion REIT	—	dividend income from 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.

The financial performances of operating segments of property investment in Hong Kong and in the USA were aggregated in a single reportable segment as "Property Investment" since they are considered having similar economic characteristics.

Segment results represent the results by each segment without including any effect of allocation of central administration cost, directors' salaries, share of profit 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 building, finance costs and income taxes. This is the measurement basis reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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

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

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>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)	—
Total	<u>142,173</u>	<u>1,122,384</u>	<u>409,444</u>	<u>160,376</u>	<u>(16,481)</u>	<u>1,817,896</u>
Inter-segment sales are charged at mutually agreed prices.						
<b>RESULTS</b>						
Segment results	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 building						(289,490)
Finance costs						(68,961)
Share of results of associates						132
Profit before tax						<u>397,782</u>
Income taxes						<u>112,967</u>
Profit for the period attributable to owners of the Company						<u><u>510,749</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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

### SIX MONTHS ENDED 30 JUNE 2008

	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>REVENUE</b>						
External sales	392,460	1,548,921	335,469	160,556	—	2,437,406
Inter-segment sales	32,263	—	—	11,504	(43,767)	—
Total	<u>424,723</u>	<u>1,548,921</u>	<u>335,469</u>	<u>172,060</u>	<u>(43,767)</u>	<u>2,437,406</u>
Inter-segment sales are charged at mutually agreed prices.						
<b>RESULTS</b>						
Segment results	260,333	222,360	327,570	32,364		842,627
Unallocated corporate income						27,851
Unallocated corporate expenses						(54,554)
Depreciation and amortisation						(177,797)
Loss on disposal of property investment subsidiaries						(450,814)
Fair value changes on investment properties						222,598
Fair value changes on derivative financial instruments						(98,967)
Fair value changes on financial assets carried at fair value through profit or loss						(12,342)
Finance costs						(196,005)
Share of results of associates						7,187
Profit before tax						109,784
Income taxes						20,124
Profit for the period attributable to owners of the Company						<u>129,908</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (5) FINANCE COSTS

	Six Months Ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank borrowings wholly repayable within five years	42,012	156,729
Interest on other loans wholly repayable within five years	22,047	29,637
Other borrowing costs	4,902	9,639
	<u>68,961</u>	<u>196,005</u>

## (6) INCOME TAXES

	Six Months Ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Current period:		
Hong Kong Profits Tax	54,360	54,852
Other jurisdictions	5,487	17,388
	<u>59,847</u>	<u>72,240</u>
(Over) underprovision in prior periods:		
Hong Kong Profits Tax	(72)	(3)
Other jurisdictions	(198)	15
	<u>(270)</u>	<u>12</u>
	<u>59,577</u>	<u>72,252</u>
Deferred tax:		
Current period	(172,544)	7,797
Attributable to change in tax rate	—	(100,173)
	<u>(172,544)</u>	<u>(92,376)</u>
	<u>(112,967)</u>	<u>(20,124)</u>

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

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 2009

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

	Six Months Ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Staff costs (including directors' emoluments)	555,823	647,594
Share based payments (including directors' emoluments)	1,988	5,805
	<u>557,811</u>	<u>653,399</u>
Amortisation of prepaid lease payments	22,387	22,387
Depreciation on		
- hotel buildings	89,997	93,643
- other property, plant and equipment	58,423	61,767
	<u>170,807</u>	<u>177,797</u>
Total amortisation and depreciation		
Fitting-out works of hotel buildings written off (included in other expenses)	—	106,881
Loss on disposal of property, plant and equipment	242	1,590
Net exchange loss	1,945	—
and after crediting:		
Dividend income from listed investments:		
- Champion REIT	273,239	124,931
- Others	35	428
	<u>273,274</u>	<u>125,359</u>
Reversal of overprovision on construction fee payable (Note)	105,256	—
Interest income	82,735	58,536
Net exchange gain	—	4,892
	<u><u>          </u></u>	<u><u>          </u></u>

Note:

During the current period, the construction fee payable in respect of investment properties disposed in the financial period ended 30 June 2008 (note 20) was finalised, resulting in a release of overprovision 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 2009

## (8) DIVIDENDS

	Six Months Ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Dividends recognised as distribution during the period:		
2008 Final dividend paid - HK35 cents per share	213,381	—
2007 Final dividend paid - HK35 cents per share	—	211,643
	<u>213,381</u>	<u>211,643</u>
Interim dividend declared - HK17 cents per share (six months ended 30 June 2008: HK20 cents per share)	105,711	121,933
Special interim dividend declared - nil (six months ended 30 June 2008: HK\$2.70 per share)	—	1,646,093
	<u>105,711</u>	<u>1,768,026</u>

During the period, a dividend of HK35 cents (final dividend of 2007: HK35 cents) per share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend for 2008. The scrip dividend alternatives were accepted by the shareholders as follows:

	Six Months Ended 30 June	
	2009 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)
Dividends:		
Cash	56,852	93,026
Share alternative	156,529	118,617
	<u>213,381</u>	<u>211,643</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (9) EARNINGS PER SHARE

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

	<b>Six Months Ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	<u><b>510,749</b></u>	<u>129,908</u>

	<b>Six Months Ended 30 June</b>	
	<b>2009</b>	2008
Number of shares:		
Weighted average number of shares for the purpose of basic earnings per share	<b>609,932,940</b>	604,786,338
Effect of dilutive potential shares:		
Share options	<u>—</u>	<u>242,015</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><b>609,932,940</b></u>	<u>605,028,353</u>

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (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\$205,966,000 (six months ended 30 June 2008: HK\$123,498,000). The additions and disposals of other property, plant and equipment were HK\$26,738,000 (six months ended 30 June 2008: HK\$71,175,000) and HK\$362,000 (six months ended 30 June 2008: HK\$108,539,000), respectively. The Group had additions to improvement work on investment properties at a cost of HK\$2,736,000 (six months ended 30 June 2008: HK\$11,545,000) and disposed of an investment property at a net consideration of HK\$12,915,000 (six months ended 30 June 2008: nil). During the six months ended 30 June 2008, the investment properties with carrying value of HK\$69,400,000 were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation.

At 30 June 2009, the Directors conducted an impairment assessment on hotel buildings and determined that the recoverable amount of a hotel building located in the USA was less than its carrying amount. The review led to the recognition of an impairment loss of HK\$289,490,000 (six months ended 30 June 2008: nil) in the condensed consolidated income statement. The recoverable amount of the hotel building was determined by value in use which was estimated using the future cash flows expected to arise and a suitable discount rate of 10.5% in order to calculate the present value.

On 8 January 2008, the Group acquired a hotel property situated in the USA amounting to HK\$1,287,363,000.

On 3 June 2008, the Group completed the disposal of Langham Place. Accordingly, the carrying amounts of the investment property and owner occupied land and buildings were reduced by HK\$13,687,000,000 and HK\$353,480,000, respectively. Details of the disposal are set out in note 20.

The fair value of the Group's investment properties of HK\$3,622,235,000 as at 30 June 2009 (31 December 2008: HK\$3,571,890,000) was carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong - Savills Valuation and Professional Services Limited (31 December 2008: Knight Frank Petty Limited)

Investment properties in the USA - Cushman & Wakefield of California, Inc.

The valuations for investment properties in Hong Kong were arrived 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 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (11) AVAILABLE FOR SALE INVESTMENTS

Available for sale investments comprise:

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Listed securities in Hong Kong:		
- units issued by Champion REIT	<b>5,770,842</b>	4,433,971
- equity securities	<b>66,417</b>	48,870
Unlisted equity securities in Hong Kong	<b>19,781</b>	19,781
	<u><b>5,857,040</b></u>	<u>4,502,622</u>
Market value of listed securities	<u><b>5,837,259</b></u>	<u>4,482,841</u>

The Group's investment in Champion REIT classified as available for sale investments represents approximately 50% (31 December 2008: 49%) 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 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 and hence Champion REIT is not regarded as a subsidiary or an associate of the Group.

In determining the impairment of the Group's investment in Champion REIT, the Directors of the Company consider any loss events at the end of reporting period which 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 reporting period, all the listed securities are stated at fair value which have been determined by reference to closing prices quoted in active markets.

Unlisted investments represent unlisted equity investments and club debentures. They are measured at cost less impairment at the end of 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 2009

## (12) INVESTMENT IN CONVERTIBLE BONDS

	<b>Straight debt HK\$'000 (unaudited)</b>	<b>Embedded derivatives HK\$'000 (unaudited)</b>	<b>Total HK\$'000 (unaudited)</b>
At 1 January 2009	2,298,417	28,410	2,326,827
Interest income recognised during the period	71,995	—	71,995
Interest received	(11,700)	—	(11,700)
Change in fair value	—	111,729	111,729
	<u>2,358,712</u>	<u>140,139</u>	<u>2,498,851</u>
At 30 June 2009	<u>2,358,712</u>	<u>140,139</u>	<u>2,498,851</u>

On 3 June 2008, the Group subscribed an aggregate principal amount of HK\$2,340 million of HK\$4,680 million 1% guaranteed convertible bonds due 2013 ("Bonds") issued by Champion REIT. Details of the transaction are set out in the announcement of the Company dated 28 May 2008 and 3 June 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 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 10.89% (31 December 2008: 15.32%), unit price of Champion REIT at HK\$2.54 (31 December 2008: HK\$2.08), risk-free rate of 1.84% (31 December 2008: 1.12%) in respective of the Bonds, and expected volatility of 42.6% (31 December 2008: 40%) with reference to Champion REIT's historical volatility of the past 3 years (31 December 2008: 2.5 years).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (13) DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Trade debtors, net of allowance for doubtful debts	<b>205,890</b>	250,037
Deferred rent receivables	<b>17,336</b>	16,079
Other receivables	<b>68,878</b>	97,670
Deposits and prepayments	<b>69,943</b>	107,440
	<u><b>362,047</b></u>	<u>471,226</u>

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 its customers. The following is an aged analysis of trade debtors net of allowance for doubtful debts:

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
0 - 3 months	<b>197,583</b>	237,626
3 - 6 months	<b>8,242</b>	7,281
Over 6 months	<b>65</b>	5,130
	<u><b>205,890</b></u>	<u>250,037</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Held-for-trading listed securities in Hong Kong: - units issued by Champion REIT	<b>92,591</b>	75,823
Structured deposits and notes designated as at fair value through profit or loss	<b>201,487</b>	—
Held-for-trading unlisted equity linked note	—	24,002
	<b><u>294,078</u></b>	<b><u>99,825</u></b>

Upon the maturity of an unlisted equity linked note of notional amount of US\$5,000,000 at 17 April 2009, 12,904,249 units of Champion REIT amounting to HK\$28,002,000 in exchange at the contracted exercise price was received by the Group.

In June 2009, the Group entered into certain principal protected structured deposits and notes with principal amount of US\$25,990,000 amounting to HK\$201,487,000 with banks with maturity ranging from July 2009 to June 2010. The structured deposits and notes contain embedded derivatives with their interest components linked to foreign exchange rate movements which are not closely related to the host contracts. The entire structured deposits and notes have been designated at financial assets at fair value through profit or loss on initial recognition.

The fair values of structured deposits and notes designated as at fair value through profit or loss at the end of reporting period are provided by counterparty bank.

## (15) CREDITORS, DEPOSITS AND ACCRUALS

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Trade creditors	<b>116,977</b>	184,285
Rental deposits	<b>141,690</b>	137,045
Construction fee payable and retention money payable	<b>15,240</b>	380,333
Accruals, interest payable and other payables	<b>292,117</b>	354,324
	<b><u>566,024</u></b>	<b><u>1,055,987</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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

The aged analysis of trade creditors is as follows:

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
0 - 3 months	105,116	169,118
3 - 6 months	3,552	19
Over 6 months	8,309	15,148
	<u>116,977</u>	<u>184,285</u>

## (16) DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Interest rate swaps	1,574	5,757
Foreign currency derivative contracts	39	2,057
	<u>1,613</u>	<u>7,814</u>

The Group has used interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. Interest rate swap contracts of notional amount of GBP 20,000,000 (31 December 2008: GBP 40,000,000) in aggregate were entered for periods up to August 2009 (31 December 2008: August 2009), to swap floating-rate borrowings to fixed-rate borrowings of interest rates ranging from 4.91% to 5.48% (31 December 2008: 4.91% to 5.48%) per annum.

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

The fair value of interest rate swap and foreign currency derivative contracts at the end of reporting periods are provided by counterparty banks.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (17) BORROWINGS

	<b>30 June 2009 HK\$'000 (unaudited)</b>	31 December 2008 HK\$'000 (audited)
Bills payable	—	7,563
Bank loans and revolving loans (secured)	<b>3,470,347</b>	3,277,092
Other non-current loans (secured)	<b>1,139,358</b>	1,148,396
	<b>4,609,705</b>	4,433,051
Loan front-end fee	<b>(7,655)</b>	(9,961)
	<b>4,602,050</b>	4,423,090
The maturity of the above loans is as follows:		
On demand or within one year	<b>1,714,340</b>	1,668,963
More than one year but not exceeding two years	<b>1,618,200</b>	150,907
More than two years but not exceeding five years	<b>1,269,510</b>	2,603,220
	<b>4,602,050</b>	4,423,090
Less: Amounts due within one year shown under current liabilities	<b>(1,714,340)</b>	(1,668,963)
	<b>2,887,710</b>	2,754,127

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:

	<b>30 June 2009 (unaudited)</b>	31 December 2008 (audited)
Fixed-rate borrowings	<b>4.91% to 12.50%</b>	4.91% to 12.50%
Variable-rate borrowings	<b>0.78% to 4.12%</b>	2.33% to 8.30%

At the end of reporting period, included in the Group's borrowings are fixed-rate borrowings with carrying amount of HK\$552,522,000 (31 December 2008: HK\$563,816,000), the remaining balances were variable-rate borrowings.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (18) SHARE CAPITAL

### (a) AUTHORISED:

	30 June 2009 (unaudited)		31 December 2008 (audited)	
	Number of shares '000	Nominal Value HK\$'000	Number of shares '000	Nominal Value HK\$'000
<i>Shares of HK\$0.5 each</i>				
Balance brought forward and carried forward	<u>800,000</u>	<u>400,000</u>	<u>800,000</u>	<u>400,000</u>

### (b) ISSUED AND FULLY PAID:

	30 June 2009 (unaudited)		31 December 2008 (audited)	
	Number of shares '000	Nominal Value HK\$'000	Number of shares '000	Nominal Value HK\$'000
<i>Shares of HK\$0.5 each</i>				
Balance brought forward	609,664	304,832	604,631	302,315
Issued upon exercise of share options under the share option scheme	—	—	93	47
Issued as scrip dividends	<u>12,163</u>	<u>6,081</u>	<u>4,940</u>	<u>2,470</u>
Balance carried forward	<u>621,827</u>	<u>310,913</u>	<u>609,664</u>	<u>304,832</u>

During the period, 12,162,356 (2008: 4,940,289) shares of HK\$0.50 each in the Company were issued at HK\$12.87 (2008: HK\$24.01) per share as scrip dividends.

## (19) MAJOR NON-CASH TRANSACTIONS

- (a) During the period, 12,162,356 (2008: 4,940,289) shares of HK\$0.50 each in the Company were issued at HK\$12.87 (2008: HK\$24.01) per share as scrip dividends.
- (b) During the period, 51,107,281 (2008: 12,592,639) units of Champion REIT were received as management service income as the manager of Champion REIT, amounting to HK\$98,126,000 (2008: HK\$50,270,000). The units are classified as available for sale investments and are held for the long term purpose.
- (c) During the period, 76,256,379 (2008: nil) units of Champion REIT were received in lieu of cash in regards of the distributions for the six months ended 31 December 2008 amounting to HK\$135,035,000 (2008: nil) 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 2009

## (20) DISPOSAL OF PROPERTY INVESTMENT SUBSIDIARIES

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

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

	HK\$'000 (audited)	HK\$'000 (audited)
Net assets disposed of:		
Investment properties		13,687,000
Owner occupied land and buildings		353,480
Pledged deposits		297,424
Debtors, deposits and prepayments		110,175
Bank balances and cash		93
Creditors, deposits and accruals		(197,136)
Bank loans		(4,291,134)
Deferred taxation		(1,211,258)
		<u>8,748,644</u>
Total consideration satisfied by:		
Cash	3,145,434	
Fair value of units issued by Champion REIT (Note (a))	2,812,396	
Fair value of convertible bonds subscribed (Note (a))	2,340,000	8,297,830
		<u>(450,814)</u>
Loss on disposal of property investment subsidiaries		<u>(450,814)</u>
Net cash inflow arising on disposal (Note (b)):		
Cash consideration received		3,145,434
Bank balances and cash disposed of		(93)
		<u>3,145,341</u>

Notes:

- (a) The Group received 781,221,000 units of Champion REIT with a fair value of HK\$2,812,396,000 as part of the consideration of the Disposal. In addition, the total consideration received was partially set off by the subscription of the Bonds with principal amount of HK\$2,340,000,000.
- (b) Included in the net cash inflow arising on disposal are cash consideration of HK\$3,146,537,000 received before 30 June 2009, the remaining amount of HK\$1,196,000 payable to Champion REIT was settled by the Group in the second half of 2008.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (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 current period are as follows:—

	<b>Number of share options</b>
Outstanding at 1 January 2009	<b>3,818,000</b>
Granted during the period	<b>2,990,000</b>
Exercised during the period	—
Lapsed during the period	<b>(168,000)</b>
	<hr/>
Outstanding at 30 June 2009	<b>6,640,000</b>
	<hr/> <hr/>

The closing price of the Company's shares on 7 January 2009 being the business date immediately before the date of grant of the share options, was HK\$9.45. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model was HK\$3.16. The exercise price of the options was \$9.34. The options were exercisable for 36 months on the expiry of 24 months after the date of grant.

## (22) COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2009, the Group has authorised capital expenditure on investment properties and property, plant and equipment which is not provided for in these condensed consolidated financial statements amounting to HK\$115,952,000 (31 December 2008: HK\$263,440,000) of which HK\$114,047,000 (31 December 2008: HK\$262,896,000) was contracted for.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

## (23) RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the period and balances at the end of reporting period with associates 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.

	<b>Six Months Ended 30 June</b>	
	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
<b>Transactions with related companies for the period</b>		
Trading income	<b>188</b>	122
Rental income	<b>2,173</b>	1,790
Management fee received	<b>697</b>	360
Rental charges	<b>300</b>	300
	<u><u>          </u></u>	<u><u>          </u></u>

	<b>30 June 2009</b>	31 December 2008
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<b>Balances with associates and related companies as at</b>		
Amounts due from associates	<b>12,077</b>	12,077
Amounts due from related companies (included in debtors, deposits and prepayments)	<b>1,362</b>	4,775
Amounts due to related companies (included in creditors, deposits and accruals)	<b>1,050</b>	225,821
	<u><u>          </u></u>	<u><u>          </u></u>

In addition to the above transactions and balances at the end of reporting period, the Group announced on 23 February 2009 that The Great Eagle Company, Limited, a wholly owned subsidiary, and Sun Fook Kong Holdings Limited ("SFK"), a related company in which some shareholders and directors of the Company have beneficial interests, entered into a supplemental agreement ("Supplemental Agreement") pursuant to which, among other things, that the final contract sum for the main contract made as of 12 November 2001 between Renaissance City Development Company Limited and SFK for the composite development project in Mongkok (now known as "Langham Place") had been agreed at approximately HK\$3,302 million. The Supplemental Agreement was approved by shareholders on 19 April 2009 and construction fee payable, retention money payable and accrued interest as from 1 January 2009 up to the date of payment at the rate of 3% per annum of HK\$217,974,000 in aggregate were settled to SFK during the current period.



**Great Eagle  
Holdings Limited  
鷹君集團有限公司**

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