Great Eagle Holdings Limited
鷹君集團有限公司

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

ANNUAL REPORT 2009 二零零九年年報

GROUP PROFILE

The Great Eagle Group is one of Hong Kong's leading property and hotel companies. Headquartered in Hong Kong, the Group develops, invests in and manages high quality office, retail, residential and hotel properties in Asia, North America and Europe. Its principal holdings include a 50.91% interest (as at 31 December 2009) in Champion Real Estate Investment Trust, which owns 1.56 million square feet of Grade-A commercial office space in Citibank Plaza in the Central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. In the United States, the Group owns three office buildings with a total floor area of 534,000 square feet. The Group is also active in property management and maintenance services as well as building materials trading.

The Group's extensive international hotel portfolio currently comprises eleven luxury properties with over 5,000 rooms, including nine luxury hotels branded under the Langham and Langham Place name in Hong Kong, Shanghai, London, Boston, California, Koh Samui, Melbourne and Auckland, the Eaton Hotel in Hong Kong and the Delta Chelsea Hotel in Toronto. Langham Hotels International Limited (a wholly-owned subsidiary of Great Eagle) manages all the hotels with the exception of the Toronto property.

The Group was founded in 1963 and The Great Eagle Company, Limited was its holding company, whose shares were listed on the Hong Kong Stock Exchange in 1972. The Group underwent a re-organisation in 1990 and Great Eagle Holdings Limited, a Bermuda-registered company, became the listed company of the Group in place of The Great Eagle Company, Limited.

CONTENTS

CORPORATE INFORMATION

DIRECTORS

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

Non-executive Directors
* *Independent Non-executive Directors*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE

LO Ka Shui
LO Kai Shui
KAN Tak Kwong

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

JSM
Clifford Chance
Appleby

PRINCIPAL BANKERS

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

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WEBSITE

www.GreatEagle.com.hk

STOCK CODE

41

DIVIDEND NOTICE AND FINANCIAL CALENDAR

FINAL DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK35 cents per share for the year ended 31 December 2009 (2008: HK35 cents per share) to the shareholders whose names appear on the Registers of Members on Wednesday, 12 May 2010 subject to the approval of the shareholders at the forthcoming 2010 Annual General Meeting (the "2010 AGM").

Taken together with the interim dividend of HK17 cents per share paid on 16 October 2009, this will make a total dividend for the full year of HK52 cents per share in 2009 (2008 total dividend: HK$3.25 per share, comprising a final dividend of HK35 cents, an interim dividend of HK20 cents and a special interim dividend of HK$2.7).

Shareholders will be given the option to receive the final dividend in new shares in lieu of cash ("Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed final dividend at the 2010 AGM; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Arrangement will be despatched to Shareholders together with the form of election for scrip dividend soon after the 2010 AGM. Dividend warrants and share certificates in respect of the proposed final dividend are expected to be despatched to Shareholders on or about 15 June 2010.

CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Friday, 7 May 2010 to Wednesday, 12 May 2010, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2009 final dividend and be entitled to attend and vote at the 2010 AGM, 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 Thursday, 6 May 2010.

FINANCIAL CALENDAR

2009 Interim Results Announcement	:	26 August 2009
Payment of 2009 Interim Dividend of HK17 cents per share	:	16 October 2009
2009 Annual Results Announcement	:	24 February 2010
Closure of Registers of Members	:	7 May 2010 - 12 May 2010 *(both days inclusive)*
2010 Annual General Meeting	:	12 May 2010
Record Date for 2009 Final Dividend	:	12 May 2010
Payment of 2009 Final Dividend of HK35 cents per share	:	on or about 15 June 2010

FINANCIAL HIGHLIGHTS

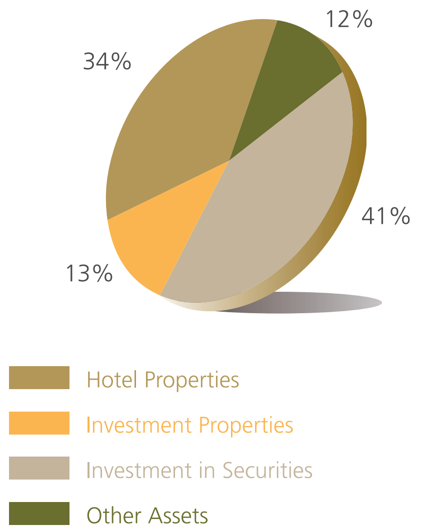
For the year ended 31 December 2009

	2009 HK$ (Million)	2008 HK$ (Million)	Change
Revenue	**3,958**	4,750	-16.7%
Statutory Profit attributable to equity holders	**1,183**	72	n/m
Core Profit after tax	**1,276**	1,150	+10.9%
Core Profit after tax (per share)	**2.07**	1.89	+9.5%
Book Value (per share)	**35.89**	29.48	+21.7%
Final Dividend (per share)	**HK$0.35**	HK$0.35	
Interim Dividend (per share)	**HK$0.17**	HK$0.20	
Special Interim Dividend (per share)	**—**	HK$2.70	
Total Dividend (per share)	**HK$0.52**	HK$3.25	

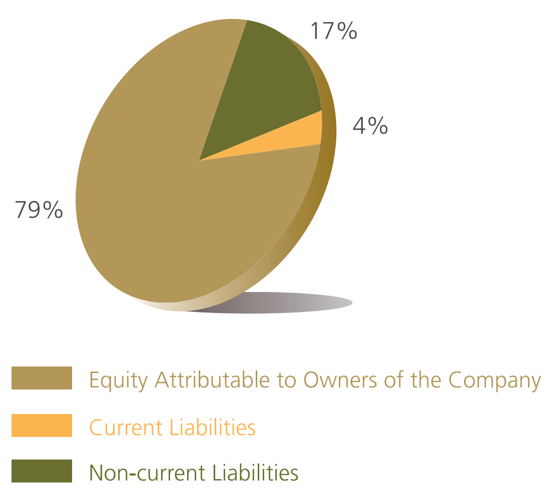
EMPLOYMENT OF ASSETS

Assets Employed

Total Assets HK$28,166 Million

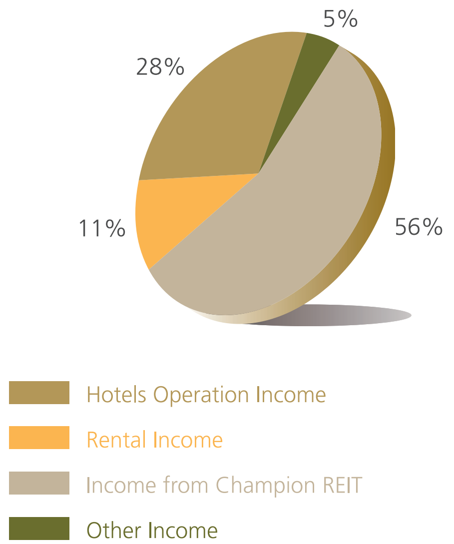


Financed By

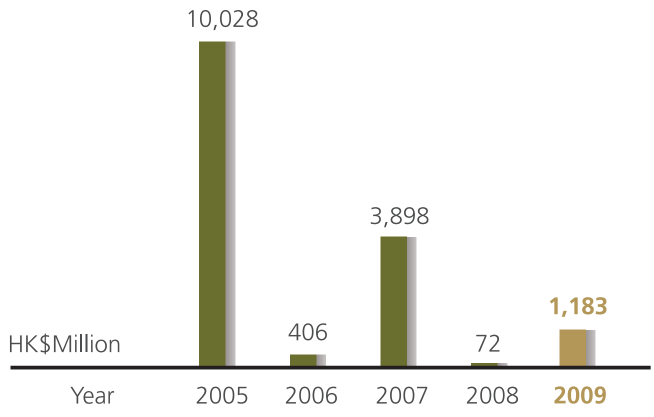


Gross Profit From Operations

HK$1,518 Million



Profit Attributable to Owners of the Company



CHAIRMAN'S STATEMENT

OVERVIEW

Set against a volatile background in 2009, the Group managed to achieve a core profit of HK$1,276 million for 2009, a growth of 10.9% over core profit of HK$1,150 million for 2008.

The increase in core profit was driven by an increase of HK$115 million in dividend from the Champion Real Estate Investment Trust (the "REIT"), lower net interest expense, which dropped by HK$176 million, and the absence of further write-off of fixed assets associated with hotel renovation, which came to HK$139 million in 2008. Core profit in 2009 was also helped by a one-off write-back of overprovided construction costs for Langham Place, which amounted to HK$105 million.

The Langham Place Mall and Office Tower were injected into Champion REIT in June 2008. Whereas about five months' rental income from the properties amounting to HK$218 million was booked in the 2008 accounts, none was recorded for 2009. Mainly as a result of this factor, net rental income from investment properties decreased to HK$164 million in 2009 from HK$338 million in 2008. Net rental income from other investment properties in Hong Kong was down moderately from HK$122 million in 2008 to HK$114 million in 2009 as higher income from Great Eagle Centre was offset by lower income from the furnished apartments. At the properties in the United States, gross rental income was stable at HK$114 million for 2009 as compared to HK$117 million for 2008. With lower re-letting expenses incurred in 2009, net rental income from the properties in the United States has in fact increased from HK$37 million in 2008 to HK$51 million in 2009.

Contribution from Champion REIT increased 4.4% year-on-year to HK$848 million in 2009. A higher dividend income of HK$579 million was received from the REIT in 2009 (2008: HK$464 million), the increase in dividends income was due to additional rental income from the newly acquired Langham Place properties, as well as an increased stakeholding in the Champion REIT after taking scrip distributions in place of part of the cash distributions. The dividend increase was more than offset lower asset management fees of HK$205 million received from the REIT for 2009, as compared to HK$285 million for 2008. The 2008 management fee income included a one-time fee of HK$125 million in relation to the acquisition of Langham Place properties by the REIT. Excluding this one-off item, management income would have increased by 28% year-on-year.

Performance of the Hotels Division was adversely impacted in a significant way during 2009 amid an incredibly difficult economic environment.That was particularly the case in the first half of the year, when both corporate and leisure travel was substantially curtailed. A slight improvement in the operating environments was seen by some of the Group's hotels from the latter part of 2009, with Revenue Per Available Room (RevPAR) declined in the second half of the year that were not as steep as that experienced in the first half of 2009.

Nevertheless, the second half of 2009 was another challenging period, with room rates under significant pricing pressure. Revenue from the Hotels division dropped by 16% year-on-year to HK$2,570 million in 2009, strong cost-reduction measures were quickly initiated, which mitigated the decline in the performance of the Hotels Division. Operating profit from the Hotels Division dropped 34.8% year-on-year to HK$429 million in 2009.

The Group's plan to expand the presence of the hotel brand in key cities around the world was slowed down in 2009 by the financial turmoil. After the opening of The Langham Yangtze Boutique in Shanghai, in the first half of 2009, only one other hotel, the Langham Place Samui opened in December 2009. Both hotels are operated under pure hotel management contracts with no equity investment from the Group.

We have at the same time been taking advantage of the weak external environment to further grow the hotel portfolio. In 2009, we have added a total of five new hotel management contracts to the pipeline.

While the state of the economy has had a negative impact on the Group's business, the Group was able to accomplish several significant milestones, with the most important one being the acquisition of a site in Dalian, China. The site has been earmarked for mixed-use development, which will help to strengthen and expand the Group's asset base. Given the rapid growth in China's real estate market, the Group believes this investment will help it to capitalize on such a growth trend.

Despite being one of the most difficult years over the past decade, the Group maintained its strong financial position, with cash and investments in liquid instruments amounted to HK$2,646 million as at the end of December 2009. Net debt increased over the second half of 2009, and stood at HK$1,867 million as at the end of 2009. The increase in net debt was primarily driven by payment on land premium relating to the Dalian project.

BUSINESS REVIEW

Hotels

Extending the extremely weak demand for rooms from the fourth quarter of 2008, there was little change on the situation over the first half of 2009, with both room and occupancy rates were under significant pressure. In particular, the Group's hotels in the United States were the worst affected. Nonetheless, most markets have begun to show cautious signs of recovery in the latter part of 2009, and the rate of revenue decline has narrowed in the second half of 2009. Revenue from the Hotels Division came to HK$2,570 million in 2009, representing a year-on-year decline of 16%.

HONG KONG OPERATIONS

The Langham, Hong Kong

Weak market conditions coupled with a fear of the swine flu in April 2009 have contributed to a significantly pullback in demand for rooms from the corporate sector. Despite a drop in Food and Beverage revenues, the implementation of tighter cost controls actually lifted profit derived from the Food and Beverage department in 2009.

For the year 2009, the hotel achieved an average occupancy of 73% (2008: 81%) and an average room rate of HK$1,431 (2008: HK$1,742).

Langham Place, Hong Kong

Cutback in corporate and leisure travel amid a difficult operating environment dragged down performance for the hotel, the negative momentum reversed with strengthening business volumes from the fourth quarter of 2009. Revenues from Food and Beverage trailed behind last year due to reduced demand. Nevertheless, profit from the Food and Beverage department was steady when compared with that last year, given the implementation of a rigorous cost tightening programme.

For the year 2009, the hotel achieved an average occupancy of 76% (2008: 84%) and an average room rate of HK$1,204 (2008: HK$1,442).

Eaton Hotel, Hong Kong

Due to lacklustre demand and intensified market pressure, room rate at the Eaton Hotel has dropped the most amongst our Hong Kong hotels in 2009. Average room rate dropped by 22% compared with that achieved in 2008. The lower room rate achieved was in part due to increased contribution from the lower yielding segment. Profit from the Food and Beverage department, on the other hand, has shown an increase when compared with that achieved last year, driven by cost reduction and hence improved margins for the Food and Beverage department.

For the year 2009, the hotel achieved an average occupancy of 78% (2008: 89%) and an average room rate of HK$721 (2008: HK$921).

INTERNATIONAL OPERATIONS

The Langham, London

Compared with the rooms available in 2008, when there was an average of 162 rooms available for let, the number of rooms that became available for let increased steadily over 2009, after completion of the main refurbishment programme. From June 2009, 284 rooms were available, and all the 382 rooms were available from September 2009. With the much upgraded public areas, function rooms and Palm Court restaurant, the re-launched of the rooms were well received and a nice increase in all revenue streams was witnessed in the fourth quarter of 2009.

For the year 2009, the hotel achieved an average occupancy of 61%, based on a weighted average of 284 available rooms in 2009, compared to an occupancy rate of 68% achieved in 2008, when there were only 162 available rooms. The average room rate achieved for 2009 was £219 (2008: £243).

The Langham, Boston

In the first half of 2009, the Boston hotel was one of the most impacted from the financial turmoil, given its reliance on guests from the financial sector. The situation reversed dramatically in the second half of 2009, when demand for rooms from the financial sector picked up sharply, and the hotel turned to a profit in the second half of 2009. Food and Beverage revenues recorded a growth of 14% year-on-year, mainly attributed to increased wedding business and the opening of a new restaurant in January 2009.

CHAIRMAN'S STATEMENT

For the year 2009, the hotel achieved an average occupancy of 59% (2008: 65%) and an average room rate of US$212 (2008: US$250).

The Langham, Melbourne
Of the Group's overseas hotels, performance at the Langham, Melbourne held up better than others, as the city continued to host numerous large scale events to attract domestic and international travellers. The hotel also increased guests from the higher yielding retail segment, which helped to offset a reduction in demand from corporates. Average room rate for the hotel held up in 2009, whereas occupancy rate dropped by 9.1 percentage points year-on-year in 2009. Although the catering business was affected by the reduction in corporate activities, revenues from Food and Beverage was steady on solid restaurants revenue.

For the year 2009, the hotel achieved an average occupancy of 67% (2008: 76%) and an average room rate of A$260 (2008: A$264).

The Langham, Auckland
The renovation of the ballroom and part of the hotel rooms from the middle of 2009 had negatively impacted the hotel's results. Nevertheless, the Group expects the renovated ballroom will enhance and expand the hotel's catering facilities, which will better position the hotel to capture more catering business in the future. The new Chuan Spa, which opened in the second quarter of 2009, is now recognized as one of the best wellness centres in New Zealand.

For the year 2009, the hotel achieved an average occupancy of 62% (2008: 68%) and an average room rate of NZ$168 (2008: NZ$174).

The Langham Huntington
The significant withdrawals of corporate travel and events have resulted in double-digit declines in all revenue streams for the hotel. The low occupancy for the hotel has put tremendous pressure on profitability for the hotel. Nevertheless, there were some signs of business pick-up during the fourth quarter of 2009 from citywide events and group business.

For the year 2009, the hotel achieved an average occupancy of 47% (2008: 57%) and an average room rate of US$224 (2008: US$244).

Delta Chelsea
Impact from the financial crisis began to significantly affect the Hotel's operating results early in the year with declines in both occupancy and room rate. Corporate and group activities remained quiet during the year and the hotel reacted with marketing activities to secure more leisure travellers to sustain business volume. Revenues from Food and Beverage also slowed on lower occupancy level and reduced corporate events and banquets.

For the year 2009, the hotel achieved an average occupancy of 66% (2008: 73%) and an average room rate of C$122 (2008: C$139).

Investment in the Champion REIT

Income from Champion REIT increased 4.4% from HK$812 million in 2008 to HK$848 million in 2009.

Due to the Group's accounting policy of recognizing distribution income from the Champion REIT at the date of payment of the distribution, the income statement of the Group for a six-month period reflects the distribution declared by the Champion REIT for the immediately preceding six-month period. Therefore the income statement for 2009 recognised the distribution paid by Champion REIT for the second half of 2008 and the first half of 2009. On that basis, distribution income from Champion REIT increased by 24.7% year-on-year to HK$579 million. The increase in distribution income was due to additional rental income from the newly acquired Langham Place properties, and an increase in stakeholding in the Champion REIT after taking scrip distributions in place of part of the cash distributions. Asset and leasing management fee income, on the hand, decreased from HK$348 million in 2008 (which included a HK$125 million one-time acquisition fee in relation to the purchase of the Langham Place properties) to HK$269 million in 2009. Excluding the impact of the non-recurrent acquisition fee, however, asset and leasing management income from the REIT would have increased by HK$46 million or 21% year-on-year in 2009.

On 22 February 2010, the Champion REIT reported a total distribution of HK$1,312 million for the full year of 2009, and declared a final distribution of HK$0.131 per unit for the second half of 2009, which will be recognised in the Group's results of 2010.

The following are excerpts from Champion REIT's 2009 annual results announcement relating to the performance of the REIT's properties:

Citibank Plaza

As financial institutions downsized in 2009, there was intense competition for office tenants in Central. Spot rental rates achieved at Citibank Plaza retreated from their peak of HK$120 per sq. ft. to near HK$75 per sq. ft. at the end of the year. The occupancy rate at Citibank Plaza weakened to 87.6%, as compared to 97.9% a year earlier, mainly as a result of relocation decisions made by some cost-sensitive tenants early in 2009 at the height of the financial turmoil.

Passing rental rates (the average rental rate of existing contracted tenancies) at Citibank Plaza continued to see an improvement in the first half of 2009, as the rent rates achieved on leases rolled over in 2009 were on the average higher than the passing rents of expired leases that were signed in 2006. A peak in passing rents was reached in July when negative rental reversions began to have a greater effect. The progressively lower spot rental rates in the following months resulted in a passing rent of HK$90.07 per sq. ft. in December 2009.

Langham Place Office Tower

In contrast to the phenomenon of tenant downsizing in Central, the office rental market on the Kowloon Peninsula was more affected by the launch of new space over the past 18 months. Langham Place's reputation as a proven quality development and its attractive subway location allowed the Office Tower to maintain its occupancy at a high level throughout 2009. As of 31st December 2009, the occupancy stood at 98.5%. The office rental rates on the Kowloon Peninsula were however constrained by an overhang of new supply in the Kowloon East districts. The spot rent rates for office space at Langham Place at year-end 2009 ranged from HK$23 to HK$32 per sq. ft., depending on the floor level and the users' location sensitivity, as compared to HK$32 to HK$40 per. sq. ft. as of December 2008. The passing rent rate was maintained at roughly the same levels throughout 2009 despite the fall in spot rents, as the new rental rates were in line with the existing passing rental rate, and also because only a relatively small proportion (approximately 6% by floor area) of the leases were rolled over in 2009.

Langham Place Mall

Langham Place Mall performed admirably in 2009 reinforcing its status as one of the most popular shopping malls in Kowloon. After a momentary slowdown in tenant sales from the H1N1 influenza scare in the second quarter, the sales momentum of the Mall bounced back quickly in the second half. The Mall remained virtually fully let throughout 2009 and ended the year with an occupancy rate of close to 100%. Footfall, or the number of visitors, for 2009 was maintained at the high levels of 2008. The resilience of Langham Place Mall was largely the result of its ever-improving mix of quality retailers, which has enhanced its popularity among local shoppers and tourists alike. The Mall's creative promotion and events, including two highly successful mall-wide sale events in April and October 2009 - the first of its kind among shopping centres in Hong Kong, have also generated a considerable amount of goodwill with the retailers. As a result, the majority of leases that fell due during the year were rolled over with increases in their rental. Average passing rent rate of the mall managed to increase to HK$88.61 per lettable sq. ft. by the end of the year.

CHAIRMAN'S STATEMENT

Development Properties

Dalian Project

On 15 October 2009, the Group acquired a development site in Renmin Road East in the city of Dalian. The site, with a gross developable floor area of approximately 286,000 sq. metres, was acquired through auction for approximately RMB734 million. We believe the accommodation value of just over RMB2,500 per sq. metre is very reasonable for this prime site.

The site has been earmarked for mixed-use development, which will comprise a luxury international hotel and high-end apartments. As at the end of 2009, the Group has paid RMB520 million (equivalent to HK$591 million) as part of the deposit for the site acquisition and the rest of the land cost is expected to be paid in the second quarter of 2010. It is intended that the site will be developed in several phases with proceeds from pre-sales to fund part of the development cost. Preparations for the development are already under way with the principal consultants having been appointed. Foundation works are expected to begin in the middle of 2010.

It is the intention of the Group to invite joint venture investors to participate in the project, with the Group acting as the asset and project manager with remuneration and profit sharing. This should enhance the return on the Group's equity investment in the project.

Hong Kong Commercial Properties

Great Eagle Centre

After a slow start in 2009 for leasing activities, the situation reversed dramatically in the second half, when demand from Mainland Chinese companies and other small and medium size companies picked up strongly. As a result, the vacancy rate was brought down and the downward rental trend was quickly reversed. The property actually ended the year with achieved rent rates higher than those at the beginning of the year.

Gross rental income of the property grew by 10% year-on-year from HK$92 million to HK$101 million in 2009. However, due to costs incurred for relocating and upgrading the cooling water pumping facilities, net rental income increased only 1% year-on-year to HK$90 million for 2009. The relocation of the pumping system was requested by the Government as part of the Central-Wanchai reclamation project.

As at the end of 2009, occupancy rate at Great Eagle Centre stood at 99.4%, as compared to 93.6% as at the end of 2008.

Eaton House Furnished Apartments

Continuing the lackluster demand for furnished apartments from the fourth quarter of 2008, the performance of the Group's furnished apartments continued to come under pressure in 2009. A surge in supply of furnished apartments on the Hong Kong Island side further exacerbated the already weak leasing environment, with occupancy for the Group's furnished apartments falling 21 percentage points year-on-year to 57% as at the end of 2009. Net rental income dropped 32% from HK$25.5 million in 2008 to HK$17.4 million in 2009.

United States Commercial Properties

Due to lower occupancy at 500 Ygnacio, which fell from 87% at year-end 2008 to 75% at the end of 2009, gross rental income from properties in the United States dropped 2.5% from HK$117.1 million in 2008 to HK$114.1 million in 2009. Gross rental income from 353 Sacramento and 2700 Ygnacio were steady in 2009, with occupancy rates of 95% and 96% respectively as at the end of 2009. Net rental income however increased from HK$36.9 million in 2008 to HK$50.7 million in 2009, mainly due to lower re-letting costs.

FINANCIAL REVIEW

Debt

Gross debts denominated in HK dollars amounted to HK$1,355 million as of 31 December 2009. Our foreign currency gross debts as of 31 December 2009 amounted to the equivalent of HK$3,158 million, of which the equivalent of HK$550 million, or 17.4% of our foreign currency debts, was on fixed-rate basis. Net of cash and bank deposits that matures within 3 months totalling the equivalent of HK$1,921 million, our consolidated net debt outstanding as of 31 December 2009 was HK$2,592 million, an increase of HK$1,559 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 31 December 2009, investment in these bonds, structured deposits and notes amounted to HK$725 million. Should this amount be taken into account, the consolidated net borrowing of the Group would be reduced to HK$1,867 million.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2009 and the depreciated costs of the Group's hotel properties, amounted to HK$22,317 million as of 31 December 2009. The net assets value at 31 December 2009 represents an increase of HK$4,342 million compared to the value of HK$17,975 million as of 31 December 2008, mainly attributable to the profit for the year and the increase in fair value of the Group's investment in Champion REIT units. Based on the consolidated net debt of HK$2,592 million, the resulting gearing ratio at 31 December 2009 was 12%. Should the investment in bonds, structured deposits and notes mentioned above be recognized in the calculation, the gearing ratio will be reduced to 8%.

Finance Cost

During the year, 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$40 million for 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 31 December 2009, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK$3,773 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 31 December 2009:

Within 1 year	5.7%
1-2 years	35.5%
3-5 years	58.8%

Pledge of Assets

At 31 December 2009, properties of the Group with a total carrying value of approximately HK$9,895 million (31 December 2008: HK$12,486 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

Commitments and Contingent Liabilities

As at 31 December 2009, the Group has authorised capital expenditures not provided for in these financial statements amounting to approximately HK$309 million (31 December 2008: HK$264 million) of which approximately HK$309 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 31 December 2009.

CHAIRMAN'S STATEMENT

OUTLOOK

After a challenging and difficult year in 2009, the world economies have stabilized. The China economy has been particularly strong. Nevertheless, certain risks remain in the year ahead, as the recovery has been uneven globally. The impact of the potential withdrawal of government stimuli will also add uncertainties to the environment that we operate in. Therefore there will continue to be volatility in the performance of some of our business segments in the near term. Notwithstanding these challenges, we have well positioned ourselves to benefit from an improving economy and to capitalize on new opportunities for growth.

At the beginning of 2010, the Central Grade-A market appears to be bottoming out in terms of both occupancy and rent rates. The present vacancy rate at Citibank Plaza is higher than the general market. However, the level of enquiries received at Citibank Plaza has evidently picked up in early 2010 though it may take time to translate the enquiries into actual occupancy. With an additional 18.2% of the leases in Citibank Plaza by floor area falling due in 2010, it may be possible for vacancies to go further up from the present level before they come down again. That will have a negative impact on the income of Citibank Plaza in 2010. Nevertheless, with the economy recovering, and the shortage of new supply in Central for a long time to come, Citibank Plaza should be well positioned to return to high occupancy in the ensuing up cycle.

On the Kowloon side, a continuing overhang of new office supply in the peripheral Kowloon East area will continue to be a factor, but the continued high occupancy of the Langham Place Office Tower in 2009 has proven its ability to retain tenants in spite of its substantial rental premium. Over 35% of the Office Tower was originally due for expiry in 2010. To date, many early rollovers have been successfully negotiated, and the remaining 2010 expiries now cover only 20% of floor space, thereby limiting the downside in terms of 2010 occupancy. However there should be a modest amount of negative rental reversion in cases where the tenants are in trades that are less location sensitive.

The prospects are much better for the Langham Place Mall, which has proved to be a good balance countering the higher income volatility of the Central office market. The positive rental reversion on leases done during 2009 (representing approximately 18% of the floor area) will translate into higher income for the Mall in 2010. While a number of new mid-sized shopping centres are being launched in TsimShaTsui, Kowloon in 2010, we expect that Langham Place will be able to compete effectively in view of its unique market positioning and strong location.

For our hotel portfolio, the pace of demand contraction has begun to ease from the latter part of 2009, suggesting that the worst may have passed. Nevertheless, it would take time for room rates to fully recover. Therefore our hotel management team will continue to work diligently to control costs in order to maintain earnings momentum. We will also continue to seek other hotel management contracts to further leverage on the increasing recognition of our hotel brand.

Despite the many challenges faced by the Group in the past year, the longer-term fundamentals of our businesses are continuously improving. With our very strong balance sheet and low financial gearing, we are ready to proactively expand our investments in a prudent manner.

LO Ka Shui
Chairman and Managing Director

Hong Kong , 24 February 2010

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Dr. LO Ka Shui

Chairman and Managing Director

Dr. Lo Ka Shui, aged 63, has been a member of the Board since 1980 and is the Chairman and Managing Director of the Company and the Non-executive Director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Board Member of the Hong Kong Airport Authority and the Chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie and a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Mr. LO Kai Shui

Executive Director and Deputy Managing Director

Mr. Lo Kai Shui, aged 50, has been a member of the Board since 1984 and is the Deputy Managing Director of the Company. Mr. Lo is also a Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and the founder of Sun Fook Kong Group Limited. He has more than 27 years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors. Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a son of Madam Lo To Lee Kwan and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Madam LO TO Lee Kwan

Non-executive Director

Madam Lo To Lee Kwan, aged 90, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Mr. CHENG Hoi Chuen, Vincent

Independent Non-executive Director

Mr. Cheng Hoi Chuen, Vincent, aged 61, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994. He is an Executive Director of HSBC Holdings plc, Chairman of HSBC Bank (China) Company Limited and Chairman of HSBC Taiwan. He was the Chairman of The Hongkong and Shanghai Banking Corporation Limited from 25 May 2005 until 31 January 2010. Mr. Cheng is an Executive Committee Chairman of Community Chest of Hong Kong, a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He is also an Independent Non-executive Director of MTR Corporation Limited. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

Professor WONG Yue Chim, Richard

Independent Non-executive Director

Professor Wong Yue Chim, Richard, aged 57, is an Independent Non-executive Director of the Company. He has been a Director since 1995. He is Deputy Vice-Chancellor and Professor of Economics at the University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research, Asia Pacific Economic Co-operation Study Centre, and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mrs. LEE Pui Ling, Angelina

Independent Non-executive Director

Mrs. Lee Pui Ling, Angelina, aged 61, was appointed as an Independent Non-executive Director of the Company in 2002. She is a practising solicitor in Hong Kong and a partner of the firm of solicitors, Woo, Kwan, Lee & Lo. She is also a Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited. She is active in public service and is a Non-executive Director of the Securities and Futures Commission, a Member of the Takeover and Mergers Panel and Takeovers Appeal Committee, and a Non-executive Director of the Mandatory Provident Fund Management Board. She has a Bachelor of Laws degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. ZHU Qi

Independent Non-executive Director

Mr. Zhu Qi, aged 49, was appointed as an Independent Non-executive Director of the Company in August 2009. Mr. Zhu is an Executive Director and Chief Executive of Wing Lung Bank Limited. He has over 22 years of banking experience. From 2000 to July 2008, he had been the Managing Director and Chief Executive Officer of Industrial and Commercial of Bank of China (Asia) Limited, the Chairman of Chinese Mercantile Bank and a Director of ICBC (Asia) Bullion Company Limited, ICBC (Asia) Nominee Limited and ICBC (Asia) Asset Management Company Limited. Mr. Zhu also had been a Director of China Ping An Insurance (Hong Kong) Company Limited, the Deputy Chairman of ICEA Finance Holdings Limited, the Chairman of Industrial and Commercial International Capital Limited and a Director of The Tai Ping Insurance Company, Limited. He graduated with a Bachelor's Degree from Dongbei University of Finance and Economics and a Master's Degree in Economics from the Zhongnan University of Finance and Economics in 1986.

Mr. LO Hong Sui, Antony

Executive Director

Mr. Lo Hong Sui, Antony, aged 68, is an Executive Director of the Company. He has been a Director of the Group since 1967. He has been actively involved in property development, construction and investment for more than 41 years. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie and a younger brother of Madam Law Wai Duen.

Madam LAW Wai Duen

Executive Director

Madam Law Wai Duen, aged 73, is an Executive Director of the Company. She has been a Director of the Group since 1963. She graduated from the University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for more than 45 years. She is a daughter of Madam Lo To Lee Kwan and an elder sister of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Mr. LO Hong Sui, Vincent

Non-executive Director

Mr. Lo Hong Sui, Vincent, aged 62, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is a diversified group engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of Shui On Construction And Materials Limited and Shui On Land Limited – Shui On's flagship property company in the Chinese Mainland established in 2004. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and Dr. Lo Ying Sui, Archie and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Dr. LO Ying Sui, Archie

Non-executive Director

Dr. Lo Ying Sui, Archie, aged 57, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent.

Mr. KAN Tak Kwong

Executive Director and General Manager

Mr. Kan Tak Kwong, aged 58, is an Executive Director and the General Manager of the Company. Mr. Kan joined the Group in 1981 and was appointed a Director in 1988. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has more than 34 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

SENIOR MANAGEMENT

Mr. TONG Chun Wan

Mr. Tong Chun Wan, aged 62, Assistant Director, he is also the Managing Director of The Great Eagle Development and Project Management Limited, joined the Group in 1983. He graduated from the University of Hong Kong with a Bachelor's Degree in Architectural Studies and a Bachelor's Degree in Architecture. He is a registered architect with the Architect's Registration Board, Hong Kong, and has obtained PRC Class 1 Registered Architect Qualification. Mr. Tong is also a member of the Royal Institute of British Architects. Mr. Tong has over 31 years' experience in property development and project management in Hong Kong, Mainland China and overseas.

Mr. MOK Siu Bun, Terry

Mr. Mok Siu Bun, Terry, aged 56, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 28 years' experience in accounting and finance in the real estate industry.

Mr. LEUNG Tat Kai, Henry

Mr. Leung Tat Kai, Henry, aged 56, Director and the General Manager of The Great Eagle Properties Management Company, Limited, joined the Group in 2002. He is responsible for the management of the Group's property portfolio. Mr. Leung has a Bachelor's Degree in Laws and is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom. He has over 20 years' experience in the real estate industry and property management.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Brett BUTCHER

Mr. Brett Butcher, aged 50, is the incoming Chief Executive Officer of the Group's Hotel Division from 1 April 2009. Mr. Butcher joined the Group in 2002 and has held previous positions of Senior Vice President Sales, Marketing and Brands for Langham Hotels International and Senior Vice President Langham Place Hotels Operations. He holds a Bachelor's Degree in Business (Hospitality Management) and has extensive experience in both hotel operations and sales and marketing. His hotel career now spans 30 years and has covered assignments in Asia, the Pacific and North America.

Mr. Helmut KNIPP

Mr. Helmut Knipp, aged 67, Senior Vice President – Development of the Group's hotels division, joined the Group in June 2006. He is based at the division's Hong Kong head office of Langham Hotels International ("LHI") and spearheads the development team to extend LHI's hotels' business ventures worldwide. His distinguished international hospitality career spans three continents with more than 42 years of experience at world renowned hotels, resorts and clubs in Europe, North-America, Asia and the Caribbean. Prior to joining the Group, he was Managing Director of CCA International Limited ("CCA"), Hong Kong, managing 28 clubs and resorts in 14 countries in Asia and Europe and handling business development in China and the Asia Pacific region and, at the same time, was also Executive Director of Palmerston Hotels & Resorts, the hotel brand he helped launch for CCA. Mr. Knipp achieved his diploma in hotel management and administration in Germany.

Mr. HO Hon Ching, Barry

Mr. Ho Hon Ching, Barry, aged 47, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor and a Certified Fraud Examiner in USA. He has extensive experience in accounting, statutory auditing and internal auditing.

Mr. WONG Chi Wai, Chris

Mr. Wong Chi Wai, Chris, aged 41, Head of Legal, joined the Group in March 2006. He has a Bachelor's Degree in Laws from the University of Hong Kong and a Bachelor's Degree in PRC Laws from the Peking University. Before joining the Group, he had over 12 years' experience in corporate finance and general corporate work gained in different international law firms.

Mr. CHU Shik Pui

Mr. Chu Shik Pui, aged 48, Senior Tax and Investment Manager primarily responsible for the Group's taxation and investment matters, joined the Group in 1989. He is a fellow of The Chartered Association of Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of the Society of Registered Financial Planners. Mr. Chu was previously the Group's Assistant Financial Controller and has 25 years' experience in taxation, finance and accounting.

Mr. LU Ning, Michael

Mr. Lu Ning, Michael, aged 36, Managing Director of the Group's trading division, joined the Group in May 2008. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Ms. WONG Mei Ling, Marina

Ms. Wong Mei Ling, Marina, aged 43, was appointed the Company Secretary of the Company in July 2008 in charge of the Company Secretarial Department of the Group. Ms. Wong is a Fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master's Degree in Laws, a Master's Degree in Business Administration and a Bachelor of Arts Degree in Accountancy respectively. Ms. Wong had over 17 years' post qualification working experience in company secretarial practice. Prior to joining the Company in 2008, Ms. Wong was the Company Secretary of a major red chip listed company in Hong Kong, where she obtained extensive working experience of China business.

CORPORATE GOVERNANCE REPORT

Great Eagle Holdings Limited is committed to maintaining and developing a high standard of corporate governance practices that are designed to enhance company image, boost shareholders' confidence, and reduce the risk of fraudulent practices and ultimately serve the long-term interests of our shareholders.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 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 (the "CG Code") contained in Appendix 14 to the Main Board Listing Rules throughout the year under review, except the following deviations from certain CG Code provisions in respect of which remedial steps for compliance have been taken or considered reasons are given below:

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

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

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

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

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

Under the existing Bye-laws of the Company, the executive chairman and managing director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, directors who hold the offices of either the executive chairman or the managing director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the executive chairman and managing director of the Company to retirement by rotation.

BOARD OF DIRECTORS

Board Responsibilities

The Board of Directors assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Company. It is responsible for overseeing the management and operation of the Group and is ultimately accountable for the Group's activities, strategies and financial performance. The day-to-day management and operation of the Group are delegated to divisional management.

CORPORATE GOVERNANCE REPORT

Board Composition

According to the Bye-Laws of the Company, the Company may in general meeting authorize the board of Directors (the "Board") of the Company to appoint any person as a Director as an addition to the Board up to the maximum number fixed by the Company. At the 2009 Annual General Meeting, the resolution to fix the maximum number of Directors at 15 was approved.

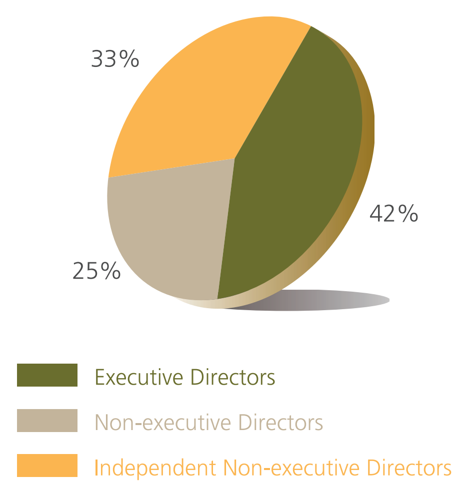
The Board currently comprises 12 members, with five Executive Directors, three Non-executive Directors and four Independent Non-executive Directors. On 27 August 2009, Mr. Zhu Qi was appointed as an additional Independent Non-executive Director of the Company. A comprehensive, formal and tailored induction on the first occasion of his appointment was provided to Mr. Zhu to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under all applicable rules and regulations and the business and governance policies of the Company.

The composition of the Board during the year is set out as follows:

Executive Directors
Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Kai Shui *(Deputy Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. KAN Tak Kwong *(General Manager)*

Non-executive Directors
Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui, Archie

Independent Non-executive Directors
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. ZHU Qi *(Appointed on 27 August 2009)*



The Board comprises a balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) that can ensure there is adequate independent judgment for the running of the Company's business. The members of the Board comprise experts from various professions with extensive experience. One of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. In all corporate communications, the Company had disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 13 to 16 of this Annual Report and published in the Company's website at www.GreatEagle.com.hk.

Madam Lo To Lee Kwan is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie. Saved as disclosed above, there are no family or other material relationships among members of the Board.

Independence of Independent Non-executive Directors

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence, and the Board considers the four Independent Non-executive Directors of the Company fulfill the independence guidelines set out in Rule 3.13 of the Listing Rules.

The participation of Independent Non-executive Directors in the Board brings independent judgment on issued relation to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals, to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. In accordance with the Bye-Laws of the Company, a resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held. However, if a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a committee (except an appropriate board committee set up for that purpose pursuant to a resolution passed in a board meeting) but a full board meeting will be held.

Five full board meetings were held during the financial year ended 31 December 2009. At least 14 days' formal notice of a Board meeting is given to all Directors and all Directors are given the opportunity to include any matter for discussion in the agenda for each regular Board Meeting. Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed. Draft minutes is circulated to all Directors for their comment within a reasonable time after each Board and Board Committee meeting and all Board and Board minutes or resolutions are available for Directors' inspection.

The attendance of individual Directors at the Board Meetings held in 2009 is set out below:

Directors	Board Meetings attended/ Board Meetings held
Executive Directors	
LO Ka Shui *(Chairman and Managing Director)*	5/5
LO Kai Shui *(Deputy Managing Director)*	3/5
LO Hong Sui, Antony	5/5
LAW Wai Duen	5/5
KAN Tak Kwong *(General Manager)*	5/5
Non-executive Directors	
LO TO Lee Kwan	-/5
LO Hong Sui, Vincent	3/5
LO Ying Sui, Archie	3/5
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	5/5
WONG Yue Chim, Richard	5/5
LEE Pui Ling, Angelina	5/5
ZHU Qi *(Appointed on 27 August 2009)*	1/1
Average Attendance Rate	80.36%

CORPORATE GOVERNANCE REPORT

Directors' and Officers' Insurance

During the year ended 31 December 2009, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Directors' Securities Transactions

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company ("Code of Conduct for Securities Transactions") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules and the Code of Conduct for Securities Transactions has been updated in accordance with the new Listing Rules requirements. As at 31 December 2009, the Directors' interests in the securities of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance), are set out on pages 28 to 29 of this Annual Report.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2009.

Delegation by the Board

The Board of Directors may establish Board Committees with clear terms of reference to review specific issues or items. The four standing Board Committees established by the Company are the Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee.

Directors' Remuneration

A Director of the Company is entitled to receive a director's fee of HK$120,000 per annum. The Director's fee was proposed by the Board, on the recommendation of the Remuneration Committee based on the general duties and responsibilities as a Director of the Company, and fixed by the Shareholders at the annual general meeting as ordinary remuneration payable to each Director. The annual remunerations received by the chairman and the members of the respective Board Committees are set out below. These remunerations were determined by the Board with reference to the time and effort involved in his/her specific duties and services and the prevailing market conditions. Details of Directors' Emoluments are provided in note 13 to the consolidated financial statements.

	2009 HK$	2008 HK$
Audit Committee		
• Chairman	200,000	200,000
• Committee Member	150,000	150,000
Remuneration Committee		
• Chairman	50,000	50,000
• Committee Member	40,000	40,000
Nomination Committee		
• Chairman	30,000	30,000
• Committee Member	20,000	20,000

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, an Audit Committee was established in 1999. The principal duties of the Audit Committee are as follows:

(a) to review the Company's half-year and annual report and financial statements of the Company and provide comments and advices thereon to the Board;

(b) to discuss with the management the Company's statement on internal control systems, where an internal audit function exists, to review the internal audit programme, and internal auditors' reports, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

(c) to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the audit fee and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor; and

(d) to review the external auditor's management letter, any material queries from the auditor to management in respect of the accounting records, financial accounts or system of internal control and management's response to the points raised.

With effect from 1 January 2009, the Code Provisions of the CG Code regarding internal controls has been expanded to make specific references to the responsibility of the Directors to conduct an annual review of the adequacy of staffing of the financial reporting functions and the oversight role of the Audit Committee. Accordingly, the terms of reference of the Audit Committee of the Company have been updated to comply with the aforesaid requirement.

The Audit Committee currently comprises four Independent Non-executive Directors, namely, Mr. Cheng Hoi Chuen, Vincent (who is the chairman of the Audit Committee), Professor Wong Yue Chim, Richard, Mrs. Lee Pui Ling, Angelina and Mr. Zhu Qi. None of the four members of Audit Committee has been a former partner of the Company's external auditor.

During the financial year ended 31 December 2009, two meetings of the Audit Committee were held on 23 March 2009 and 26 August 2009 respectively. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed the audited financial statements for the year ended 31 December 2008 and the unaudited financial statements for the six months ended 30 June 2009;
- reviewed various internal audit activities and approved the annual audit plan for 2009;
- reviewed the effectiveness of the internal control system;
- reviewed the significant findings and recommendations from the internal auditor and external auditor, and monitored subsequent implementations;
- reviewed on the Group's accounting, finance and reporting functions, and legal and regulatory compliance; and
- reviewed and approved the amendments to the terms of reference of the Audit Committee.

The attendance of individual members at the Audit Committee Meetings held in 2009 is set out below:

Members of Audit Committee	Meetings attended/ Meetings held
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	2/2
WONG Yue Chim, Richard	2/2
LEE Pui Ling, Angelina	2/2
ZHU Qi *(Appointed on 27 August 2009)*	N/A
Average Attendance Rate	100%

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 8 March 2004 and adopted the terms of reference of the Remuneration Committee in 2005 in alignment with the Code Provisions set out in the CG Code, with additional functions and duties covering the Company's employees and share option scheme.

Apart from the specific duties as set out in the CG Code Provision B.1.3, the terms of reference of the Remuneration Committee also include the following:

(a) to have the delegated responsibility to determine the Company's policy and structure for all remuneration of the Company's employees; and

(b) to decide on the grant of share options under such Share Option Scheme as may from time to time be adopted by the Company.

The Remuneration Committee currently comprises three Independent Non-executive Directors, namely, Mrs. Lee Pui Ling, Angelina (who is the chairman of the Remuneration Committee), Mr. Cheng Hoi Chuen, Vincent and Professor Wong Yue Chim, Richard.

During the financial year ended 31 December 2009, a meeting of the Remuneration Committee of the Company was held on 8 January 2009. All members of the Remuneration Committee were present at the meeting. At this meeting, the Committee considered and approved, among others, the following:

(a) the proposal on 2009 general salary revision of and discretionary bonus distribution to the employees of the Group;

(b) the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group; and

(c) the annual grant of share options of the Group. The review by the Remuneration Committee of the emoluments of Directors and Senior Management during the year was based on the skill, knowledge and involvement in the Group's affairs and were determined by reference to the Company's performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 8 March 2005 and adopted the terms of reference of the Nomination Committee in alignment with the Provisions set out in the CG Code.

The Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment or re-appointment of directors and Board succession. The Committee develops selection procedures for candidates, and will consider different criteria including the balance of skills and knowledge, as well as experience of the Board when required. The Committee also reviews the structure, size and composition of the Board and assesses the independence of Independent Non-executive Directors.

The Nomination Committee currently comprises three Independent Non-executive Directors, namely, Professor Wong Yue Chim, Richard (who is the chairman of the Nomination Committee), Mr. Cheng Hoi Chuen, Vincent and Mrs. Lee Pui Ling, Angelina. During the financial year ended 31 December 2009, a meeting of the Nomination Committee of the Company was held on 26 August 2009. At this meeting, the Committee considered and approved the proposed nomination of Mr. Zhu Qi as an additional Independent Non-executive Director of the Company. All members of the Nomination Committee were present at the meeting.

FINANCE COMMITTEE

The Company established a Finance Committee on 11 March 2003 which comprises three Executive Directors, namely Dr. Lo Ka Shui, Mr. Lo Kai Shui and Mr. Kan Tak Kwong. Matters considered by the Finance Committee and the decisions reached were reported to the Board at regular Board Meetings. Apart from the day-to-day interactions, the Finance Committee meets on an as needed basis to review the financial position of the Company and is responsible for reviewing and considering the present or future borrowings and/or other obligations and/or liabilities, actual, contingent of the Group.

AUDITOR'S REMUNERATION

During the year ended 31 December 2009, the total fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

	31 December 2009 HK$'000	31 December 2008 HK$'000
Services rendered		
Audit services	6,433	5,340
Non-audit services		
Taxation services	742	709
Other services	540	2,127
	7,715	8,176

Note: The total amount of Auditor's Remuneration as disclosed in note 12 to the consolidated financial statements excludes taxation services of HK$742,000 and other non-audit services of HK$30,000, and includes interim review fee of Messrs. Deloitte Touche Tohmatsu of HK$510,000 which has been shown as other services above and audit services provided by other auditors of HK$1,188,000 respectively.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board is entrusted with the overall responsibility for maintaining sound and effective internal control systems of the Company and its subsidiaries ("Group"). The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to mitigate rather than eliminate risk of failure to meet the business objectives. The following has been established to ensure there are sound and effective internal control systems within the Group:

(a) Well defined organizational structure and limit of authority;

(b) Reliable management reporting system;

(c) Clear and written company policies and procedures;

(d) Risk Control Self-Assessment conducted on major business entities of the Group.

Through the Audit Committee and the Group's Internal Audit Department, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2009.

The Internal Audit Department adopts a risk-based approach to review all major operations of the Group on a cyclical basis. The audit reviews cover all material financial, operational and compliance controls and risk management functions. The annual audit plan and the long-term strategy plan of the Internal Audit Department are approved by the Audit Committee. The Head of Internal Audit Department reports directly to the Managing Director and the Audit Committee. Results of the audit reviews in the form of audit reports are submitted to the members of the Audit Committee and discussed at the Audit Committee meetings. The internal audit reports are also followed up by the Internal Audit Department to ensure that findings previously identified have been properly resolved.

Based on the Audit Committee's assessment on results of the internal audit reviews for the year ended 31 December 2009, no significant irregularity or deficiency in internal controls has come to the Audit Committee's attention. The Audit Committee therefore concludes that the internal control systems of the Group are adequate and effective.

The Board, based on the review of the Audit Committee, is satisfied that the Group has maintained sound and effective internal control systems for the year ended 31 December 2009.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board, supported by the accounts and finance department, is responsible for the preparation of the accounts of the Company and its subsidiaries for the year ended 31 December 2009.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on page 35 of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS

The Company maintains an on-going dialogue with the Company's shareholders. One of the principal channels of communication with the shareholders of the Company is the annual general meeting. The Chairman of the Board and the respective Board Committees or their duly appointed delegates and other Board members will attend the annual general meeting to answer questions from shareholders.

At the 2009 Annual General Meeting, each substantially separate issue was considered by a separate resolution. Pursuant to Rules 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all resolutions were put to vote by way of poll at the 2009 Annual General Meeting and the poll vote results have been posted on the websites of the Company and the Stock Exchange on the day after the 2009 Annual General Meeting.

The publications of the Company, including but not limited to annual reports, interim reports, notices of meetings, announcements, circulars and other relevant Company's information are available on the website of the Company at www.GreatEagle.com.hk.

EMPLOYEES

During the year, the number of employees of the Group reduced by approximately 7% to 4,304. 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. In order to enhance employee relations and communications, regular meetings of general staff with senior management have been arranged for the year, with particular emphasis on performance management. To further support the engagement of employees, our Hotel Division has also adopted the Total Quality Management (TQM) technology to drive development of people and continuous improvement of management systems.

In 2009, the Group has operated its competency-based human resources management module and implemented its 2009 staff training and people development plan which included management development programme for selected managerial staff to explore leadership competence, team building sessions for managers and team members to learn together key elements of team work spirit, good communication, and working synergy in order to further accelerate team effectiveness and strengthen management competencies. The Group has facilitated lots of external training programmes in leadership and other soft skill aspects, and also delivered a series of in-house technical skill training.

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement.

The directors have recommended the payment of a final dividend of HK35 cents per share to the Shareholders whose names appear on the registers of members of the Company on Wednesday, 12 May 2010. Subject to the approval of the Shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on or about 15 June 2010 in cash with a scrip dividend alternative. Taken together with the interim dividend of HK17 cents per share paid in October 2009, this will make a total dividend of HK52 cents per share for the year.

ADOPTION OF CHINESE NAME AS SECONDARY NAME

At the Annual General Meeting of the Company held on 27 May 2009 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, continued to be evidence of title to such securities of the Company and continued 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 was adopted by the Company with effect from 15 July 2009.

MOVEMENTS IN RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity.

FIVE YEARS' FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in Appendix II of this Annual Report.

FIXED ASSETS

Movements in the fixed assets of the Group during the year are set out in notes 16 to 18 to the consolidated financial statements.

Details of the major properties of the Group as at 31 December 2009 are set out in Appendix I of this Annual Report.

SHARE CAPITAL

As at 31 December 2009, the authorised capital of the Company was HK$400,000,000.00 divided into 800,000,000 shares of HK$0.50 each, 621,826,515 shares of which were issued and credited as fully paid. During the year, 12,162,356 shares were issued by the Company pursuant to the Scrip Dividend Arrangement in respect of the 2008 Final Dividend.

Changes in the share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Kai Shui *(Deputy Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. KAN Tak Kwong *(General Manager)*

Non-Executive Directors

Madam LO TO Lee Kwan
Mr. LO Hong Sui, Vincent
Dr. LO Ying Sui, Archie

Independent Non-Executive Directors

Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. ZHU Qi *(Appointed on 27 August 2009)*

In accordance with Bye-law 109(A) of the Company's Bye-Laws, Mr. Lo Kai Shui, Madam Law Wai Duen, Mr. Lo Hong Sui, Antony and Mrs. Lee Pui Ling, Angelina shall retire by rotation and, being eligible, have offered themselves for re-election at the 2010 Annual General Meeting of the Company.

Furthermore, in accordance with Bye-law 100 of the Company's Bye-Laws, any Director appointed from time to time by the Board of Directors of the Company shall hold office only until the next following annual general meeting. Mr. Zhu Qi who was appointed as an Independent Non-executive Director of the Company on 27 August 2009 shall retire and being eligible offer himself for re-election at the 2010 Annual General Meeting of the Company.

The term of office of each Independent Non-executive Director is the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

The biographical details of the Directors and the Senior Management of the Company are set out on pages 13 to 16 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensations). Details of Directors' emoluments are set out in note 13 to the consolidated financial statements.

REPORT OF THE DIRECTORS

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

As at 31 December 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

	Number of Ordinary Shares						
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Number of outstanding share options	Total	Percentage[6]
Lo Ka Shui	28,993,107	—	—	279,372,494[1]	1,509,000	309,874,601	49.83
Lo Kai Shui	—	—	629,785[2]	205,831,599[3]	525,000	206,986,384	33.28
Lo To Lee Kwan	984,693	—	4,525,393[4]	205,831,599[3]	—	211,341,685	33.98
Cheng Hoi Chuen, Vincent	—	10,000	—	—	—	10,000	0.00
Lo Hong Sui, Antony	2,984	—	—	205,831,599[3]	375,000	206,209,583	33.16
Law Wai Duen	1,047,475	—	—	205,831,599[3]	212,000	207,091,074	33.30
Lo Hong Sui, Vincent	293	—	—	205,831,599[3]	—	205,831,892	33.10
Lo Ying Sui, Archie	3,855,046	3,700	33,269,396[5]	205,831,599[3]	—	242,959,741	39.07
Kan Tak Kwong	883,830	—	—	—	670,000	1,553,830	0.24

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; 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.

(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 31 December 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 31 December 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.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Save as disclosed below, as at 31 December 2009, as far as the Directors are aware none of the Directors and their respective associates had any interest in a business apart from the Group's business, which competes or is likely to compete either directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules:

(a) Mr. Lo Hong Sui, Vincent is the founder and Chairman of the Shui On Group which was established in 1971. He also leads the key positions in the following subsidiaries of the Shui On Group:

- Chairman of Shui On Land Limited, the Shui On Group's flagship property development company in the Chinese Mainland specialising in city-core large-scale re-development projects. The company was listed on the Hong Kong Stock Exchange in 2006.

- Chairman of Shui On Construction And Materials Limited, which is engaged in construction, cement production, property development and management and venture capital in Hong Kong, Macau, and the Chinese Mainland. The company was listed on the Hong Kong Stock Exchange in 1997.

(b) Mr. Lo Kai Shui is the Chairman of Sun Fook Kong Group Limited, which engages in, among other things, property development in Mainland China.

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 2009 Interim Report of the Company are set out below:

Mr. Cheng Hoi Chuen, Vincent, an Independent Non-Executive Director of the Company was appointed as Chairman of both HSBC Bank (Taiwan) Limited and HSBC Bank (China) Company Limited respectively on 21 January 2010, and resigned as Chairman of The Hongkong and Shanghai Banking Corporation Limited and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority respectively, both with effect from 1 February 2010.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

On 23 February 2009, The Great Eagle Company, Limited ("Great Eagle"), a wholly owned subsidiary of the Company and Sun Fook Kong Holdings Limited (the "Contractor") entered into the Supplemental Agreement (the "Supplemental Agreement") regarding the final account for the Main Contract in connection with the construction of the superstructure of Langham Place. Pursuant to the Supplemental Agreement, it was agreed that the final contract for the Main Contract was approximately HK$3,302 million, which was HK$192 million (the "Difference") higher than the original contract sum of HK$3,110 million and accordingly the Company was required to pay the Difference to the Contractor.

As Mr. Lo Kai Shui, the Deputy Managing Director of the Company, is the ultimate controlling shareholder of the Contractor and controls the exercise of more than 70% voting power in the Contractor through his controlled companies and his related trust (i.e. The Lo Family Trust) also has an interest of more than 20% in the Contractor, and accordingly, the Contractor is a connected person of the Company. The entering into the Supplemental Agreement constitutes a connected transaction for the Company and was subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The resolutions approving the Supplemental Agreement and the transactions contemplated thereunder were duly passed by the Independent Shareholders of the Company at a Special General Meeting held on 14 April 2009.

Details of the above connected transaction are set out in the announcement dated 23 February 2009 and circular dated 24 March 2009 respectively which are available in the Company's website.

In addition, the Group had the following continuing connected transactions ("Continuing Connected Transactions") with connected persons (as defined under the Listing Rules) of the Company during the year:

	2009 HK$'000	2008 HK$'000
Transactions for the year ended 31 December		
Trading income	1,705	1,349
Rental income	4,371	3,964
Management fee received	1,395	1,395
Rental charges	600	600

The Directors (including the Independent Non-executive Directors) of the Company have reviewed the Continuing Connected Transactions, and confirmed that:

(a) such transactions were exempt from the reporting, announcement and independent shareholders' approval requirements set out in the Listing Rules except for the lease of certain offices and car parking space at the Great Eagle Centre by the Group to Sun Fook Kong Construction Management Limited, a company controlled by Mr. Lo Kai Shui pursuant to a Master Leasing Agreement dated 11 January 2008 (Details of the transaction were announced by the Company on 15 January 2008); and

(b) such transactions were entered into in compliance with the following conditions:

(i) the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group;

(ii) the Continuing Connected Transactions were entered into on normal commercial terms (to the extent that there were comparable transactions), and (where applicable) in accordance with the terms of the agreements governing such transactions or (where there was no agreement) on terms no less favourable than those available to or from independent third parties; and

(iii) the Continuing Connected Transactions were entered into on terms that are fair and reasonable so far as the shareholders of the Company are concerned.

SHARE OPTIONS

In accordance with Share Option Scheme of Great Eagle Holdings Limited (formerly Executive Share Option Scheme) (the "1999 Share Option Scheme"), which was adopted pursuant to an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Since the 1999 Share Option Scheme would expire on 10 June 2009, at the 2009 Annual General Meeting of the Company held on 27 May 2009 ordinary resolutions were proposed to approve the adoption of a new share option scheme ("2009 Share Option Scheme") and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the Shareholders of the Company and the 2009 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.

Further details of the 1999 Share Option Scheme and 2009 Share Option Scheme are set out in note 34 to the consolidated financial statements.

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

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:

	Number of Share Options granted to Employees (including Directors)						
Date of grant	Outstanding as at 1/1/2009	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2009	Exercise Period	Exercise price per share (HK$)
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	—	—	(121,000)	2,794,000	05/01/2009 - 04/01/2012	22.35
08/01/2009	—	2,990,000(3)(4)	—	(90,000)	2,900,000	09/01/2011 - 08/01/2014	9.34
Total	**3,818,000**	**2,990,000**	—	**(216,000)**	**6,592,000**		

Notes:

(1) Consideration paid for each grant of share option was HK$1.00

(2) The vesting period for the share options grant is 24 months from date of grant.

(3) During the year ended 31 December 2009, 1,221,000 and 1,769,000 share options were granted to the Directors and other employees of the Company respectively.

(4) During the year ended 31 December 2009, no share options were cancelled.

In 2009, no share options were granted under the 2009 Share Option Scheme before its expiry.

REPORT OF THE DIRECTORS

2. Movements of the Share Options granted to Directors

During the year ended 31 December 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 year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2009
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
Total		**2,070,000**	**1,221,000**	—	—	**3,291,000**

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2009, the long positions of the following persons (other than a Director or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of 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[5]
HSBC International Trustee Limited	274,494,364[1]	44.14
Powermax Agents Limited[2]	152,677,859	24.55
Surewit Finance Limited[3]	43,235,142	6.95
Adscan Holdings Limited[4]	33,269,396	5.35

Notes:

(1) The number of shares disclosed was based on the latest Disclosure of Interest Form received from HSBC International Trustee Limited ("HITL"). According to the disclosures made by the Directors of the Company:

(i) 205,831,599 shares representing 33.10% of the issued share capital of the Company were held in the name of HITL as a trustee a discretionary trust, of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie, all being directors of the Company, are beneficiaries.

(ii) 73,540,895 shares representing 11.82% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the Founder.

(2) Powermax Agents Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 152,677,859 shares held by it are among the shares referred to in Note (1)(i) above.

(3) Surewit Finance Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 43,235,142 shares held by it are among the shares referred to in Note (1)(ii) above.

(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 31 December 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 whose interests in shares, underlying shares and debentures of the Company are set out on pages 28 and 29 of this Annual Report) 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 Division 2 and 3 of the SFO, or which were required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year under review, with the exception of a few deviations. Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 17 to 25 of this Annual Report.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save and except the 1999 Share Option Scheme and 2009 Share Option Scheme established by the Company as disclosed under section headed "Share Options" on pages 31 to 32 of this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the sales and purchases attributable to the Group's five largest customers and suppliers were less than 30% of the Group's total sales and purchases respectively.

PUBLIC FLOAT

As far as the Company is aware, as at the date of this Annual Report, the Company has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

DONATIONS

During the year, donations made by the Group for charitable and other purposes amounted to HK$1,484,000.

AUDITOR

The financial Statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
LO Ka Shui
Chairman and Managing Director

Hong Kong, 24 February 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF GREAT EAGLE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 101, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 February 2010

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	7	3,958,366	4,750,433
Cost of goods and services		(2,440,106)	(2,883,974)
Operating profit before depreciation and amortisation		1,518,260	1,866,459
Depreciation and amortisation		(359,788)	(358,893)
Operating profit		1,158,472	1,507,566
Fair value changes on investment properties	18	85,482	(272,697)
Fair value changes on derivative financial instruments		279,887	(81,985)
Fair value changes on financial assets carried at fair value through profit or loss		48,473	(85,254)
Other income	9	288,045	190,543
Administrative expenses		(213,344)	(214,247)
Other expenses		(163)	(199,937)
Impairment losses recognised in respect of hotel buildings	16	(490,908)	(193,829)
Loss on disposal of property investment subsidiaries	36	—	(450,814)
Finance costs	10	(131,639)	(321,682)
Share of results of associates		16,450	13,159
Profit (loss) before tax		1,040,755	(109,177)
Income taxes	11	141,911	180,847
Profit for the year attributable to owners of the Company	12	1,182,666	71,670
Earnings per share:			
Basic	15	HK$1.92	HK$0.12
Diluted	15	HK$1.92	HK$0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK$'000	2008 HK$'000
Profit for the year attributable to owners of the Company	1,182,666	71,670
Other comprehensive income:		
Fair value gain (loss) on available for sale investments	2,908,233	(4,577,179)
Exchange differences arising on translation of foreign operations	409,874	(752,443)
	3,318,107	(5,329,622)
Total comprehensive income for the year attributable to owners of the Company	4,500,773	(5,257,952)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	8,168,735	8,038,660
Prepaid lease payments	17	1,661,642	1,706,413
Investment properties	18	3,651,711	3,571,890
Deposit for acquisition of prepaid lease payment	19	591,000	—
Interests in associates	20	59,466	47,080
Available for sale investments	21	8,083,050	4,502,622
Investment in convertible bonds	22	2,721,509	2,326,827
Notes receivable	23	223,413	77,500
Amounts due from associates	24	12,077	12,077
Restricted cash	25	61,521	33,887
Financial assets carried at fair value through profit or loss	28	77,551	—
		25,311,675	20,316,956
Current assets			
Inventories	26	65,774	111,120
Debtors, deposits and prepayments	27	339,765	471,226
Prepaid lease payments	17	44,771	44,771
Financial assets carried at fair value through profit or loss	28	340,634	99,825
Notes receivable	23	204,118	—
Bank balances and cash	25	1,859,563	3,359,122
		2,854,625	4,086,064
Current liabilities			
Creditors, deposits and accruals	29	635,920	1,055,987
Derivative financial instruments	30	591	7,814
Provision for taxation		66,145	106,609
Borrowings due within one year	31	247,040	1,668,963
Unsecured bank overdrafts	25	9,331	10,014
		959,027	2,849,387
Net current assets		1,895,598	1,236,677
Total assets less current liabilities		27,207,273	21,553,633
Non-current liabilities			
Borrowings due after one year	31	4,257,328	2,754,127
Deferred taxation	32	632,841	824,788
		4,890,169	3,578,915
NET ASSETS		22,317,104	17,974,718

	NOTES	2009 HK$'000	2008 HK$'000
Equity			
Share capital	33	310,913	304,832
Share premium and reserves		22,006,191	17,669,886
TOTAL EQUITY		22,317,104	17,974,718

The consolidated financial statements on pages 36 to 101 were approved and authorised for issue by the Board of Directors on 24 February 2010 and are signed on its behalf by:

LO Ka Shui
Director

LO Kai Shui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2008	302,315	3,470,311	(677,823)	1,650	402,540	339,099	17,640	21,225,646	25,081,378
Profit for the year	—	—	—	—	—	—	—	71,670	71,670
Fair value loss on available for sale investments	—	—	(4,577,179)	—	—	—	—	—	(4,577,179)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(752,443)	—	—	(752,443)
Total comprehensive income for the year	—	—	(4,577,179)	—	—	(752,443)	—	71,670	(5,257,952)
Dividend paid	—	—	—	—	—	—	—	(1,979,669)	(1,979,669)
Shares issued at premium	2,517	118,410	—	—	—	—	(617)	—	120,310
Share issue expenses	—	(69)	—	—	—	—	—	—	(69)
Recognition of equity-settled share based payments	—	—	—	—	—	—	10,720	—	10,720
At 31 December 2008	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 year	—	—	—	—	—	—	—	1,182,666	1,182,666
Fair value gain on available for sale investments	—	—	2,908,233	—	—	—	—	—	2,908,233
Exchange differences arising on translation of foreign operations	—	—	—	—	—	409,874	—	—	409,874
Total comprehensive income for the year	—	—	2,908,233	—	—	409,874	—	1,182,666	4,500,773
Dividend paid	—	—	—	—	—	—	—	(319,092)	(319,092)
Shares issued at premium	6,081	150,448	—	—	—	—	—	—	156,529
Recognition of equity-settled share based payments	—	—	—	—	—	—	4,176	—	4,176
At 31 December 2009	310,913	3,739,100	(2,346,769)	1,650	402,540	(3,470)	31,919	20,181,221	22,317,104

Note: Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Company is available for distribution to shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Operating activities			
Profit (loss) before tax		1,040,755	(109,177)
Adjustments for:			
Share of results of associates		(16,450)	(13,159)
Loss on disposal of property investment subsidiaries	36	—	450,814
Loss on disposal of property, plant and equipment		163	2,023
Management service income from Champion Real Estate Investment Trust ("Champion REIT")		(205,107)	(160,103)
Interest income		(171,802)	(186,213)
Interest expense		121,525	306,912
Dividends received from listed available for sale investments		(580,922)	(466,630)
Allowance for doubtful debts (written back), net		(1,363)	56,178
Depreciation on other property, plant and equipment		130,248	123,210
Depreciation on hotel buildings		184,769	190,912
Amortisation on prepaid lease payments		44,771	44,771
Recognition of share based payments		4,176	10,720
Fair value changes on investment properties		(85,482)	272,697
Fair value changes on derivative financial instruments		(279,887)	81,985
Fair value changes on financial assets carried at fair value through profit or loss		(48,473)	85,254
Fitting-out works of hotel buildings written off		—	137,486
Reversal of provision on construction fee payable		(105,256)	—
Impairment losses recognised in respect of hotel buildings	16	490,908	193,829
Operating cash flows before movements in working capital		522,573	1,021,509
Decrease in inventories		45,346	360
Decrease (increase) in debtors, deposits and prepayments		92,780	(82,565)
Increase in financial assets carried at fair value through profit or loss		—	(36,976)
(Decrease) increase in creditors, deposits and accruals		(273,224)	43,903
Cash generated from operations		387,475	946,231
Hong Kong Profits Tax paid		(94,868)	(106,895)
Other jurisdictions tax paid		(29,591)	(53,813)
Other jurisdictions tax refunded		19,506	—
Net cash from operating activities		282,522	785,523

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 HK$'000	2008 HK$'000
Investing activities			
Interest received		52,670	117,274
Dividends received from listed available for sale investments		172,691	466,630
Dividends received from an associate		4,064	5,005
Additions of investment properties		(7,041)	(60,648)
Additions of property, plant and equipment		(427,311)	(1,916,755)
Purchase of available for sale investments		—	(3,700)
Purchase of notes receivable		(350,031)	(77,500)
Purchase of financial assets carried at fair value through profit or loss		(297,756)	—
Proceeds on disposal of investment properties		12,915	21,213
Proceeds on disposal of property investment subsidiaries	36	—	3,145,341
Proceeds on disposal of property, plant and equipment		215	60
Deposit paid for acquisition of prepaid lease payment		(591,000)	—
Decrease in pledged bank deposits		—	25,802
(Increase) decrease in restricted cash		(27,634)	533,712
Net cash (used in) from investing activities		(1,458,218)	2,256,434
Financing activities			
Interest paid		(126,804)	(310,231)
Issue of shares		—	1,694
Share issue expenses		—	(69)
New bank loans raised		79,497	822,236
Repayments of bank loans		(176,996)	(1,046,574)
Dividends paid to shareholders		(162,563)	(1,861,053)
Net cash used in financing activities		(386,866)	(2,393,997)
(Decrease) increase in cash and cash equivalents		(1,562,562)	647,960
Effect of foreign exchange rates changes		63,686	(182,330)
Cash and cash equivalents at the beginning of the year		3,349,108	2,883,478
Cash and cash equivalents at the end of the year		1,850,232	3,349,108
Analysis of the balance of cash and cash equivalents			
Bank balances and cash		1,859,563	3,359,122
Unsecured bank overdrafts		(9,331)	(10,014)
		1,850,232	3,349,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1. GENERAL

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The principal activity of the Company is investment holding.

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

HKAS 1 (Revised 2007) Presentation of Financial Statements

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 Operating Segments

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 8) but had no impact on the reported results or financial position of the Group.

The Group has not early applied the following new and revised 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 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification to Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2013

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) 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

In addition, as part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The 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, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but in not control or joint control over those policies.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Rental income from operating lease is recognised in the consolidated income statement on a straight-line basis over the terms of the relevant lease.

Hotel operation income is recognised upon the provision of services and the utilisation by guests of the hotel facilities.

Building management service income is recognised when building management services are provided.

Management service income is recognised when management services are provided and the threshold of net property income of Champion REIT as stipulated in the deed of trust constituting Champion REIT is reached.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss and listed available for sale investment are recognised when the shareholder's rights to receive payment have been established.

Service income is recognised when services are provided.

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Agency commission income is recognised when services are rendered.

Membership fee is recognised as revenue on a straight-line basis over the membership period.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including owner occupied land and buildings held for use in the supply of services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Freehold land are stated at cost less accumulated impairment loss.

Leasehold land and buildings transferred from investment properties are stated at deemed cost equal to its fair value at the date of change in use and is continued to be accounted for as if it was an asset held under finance lease. Assets under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is provided to write off the cost of items of property, plant and equipment except for freehold land over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Owner occupied buildings, leasehold land and hotel buildings	Over the shorter of the term of the lease, or 50 years
Furniture and fixtures, motor vehicles and plant and machinery	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments representing prepaid land costs are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Prepaid lease payment is amortised to the consolidated income statement over the term of relevant land leases.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered the service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, the recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets classified as at fair value through profit or loss ("FVTPL"), loans and receivables and available for sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial asset carried at fair value through profit or loss

Financial assets classified as at FVTPL include financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including straight debt receivable in investment in convertible bonds, notes receivable, amounts due from associates, debtors, restricted cash and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available for sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a debtor balance is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available for sale listed equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available for sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Investment in convertible bonds

The Group's investment in convertible bonds that contain both a debt receivable component and embedded derivative are classified separately into the respective items on initial recognition and initially recognised at their fair values. In subsequent periods, the debt receivable component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded derivative is measured at fair value with changes in fair value recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including creditors, unsecured bank overdraft and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. They are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. Changes in fair values of such derivatives are recognised directly in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, for share options with non-market performance vesting conditions, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after vesting period or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying the entity's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Impairment assessment of available for sale investments

For the Group's available for sale investments in Champion REIT, the management reviews Champion REIT's financial position at the end of the reporting period, the sustainability of distribution, the liquidity of its units and observable data such as net asset value per unit of Champion REIT and consequently considers no objective evidence of impairment was identified at 31 December 2009 and 2008. Accordingly, the Directors of the Company consider no impairment should be recognised.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional valuers.

In determining the fair value of investment properties situated in Hong Kong, the valuers have used income capitalisation method which involves estimates of future cash flow determined by current leases and future leases with reference to current market conditions as of the end of the reporting period.

In determining the fair value of investment properties situated in the United States of America ("USA"), the valuers have used discounted cash flow method which involves estimates of future cash flow 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.

In relying on those valuation reports, the Directors of the Company have exercised their judgments and are satisfied that the methods of valuations are reflective of the current market conditions.

Fair values of structured deposits and notes designated as at FVTPL and derivative financial instruments

For structured deposits and notes designated as at FVTPL and derivative financial instruments as described in notes 28 and 30, respectively, the Directors of the Company consider the fair values of structured deposits and notes designated as at FVTPL and derivative financial instruments approximate to valuation provided by counterparty financial institution and banks.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of hotel buildings

At the end of the reporting period, the Group determined that the hotel buildings located in the USA are impaired as their recoverable amounts are estimated to be less than their carrying amounts. The determination of the recoverable amounts of the hotel buildings requires estimating the future cash flows expected to arise and suitable discount rates in order to calculate the present values. Where the actual future cash flows are less than expected, material impairment losses may arise. At 31 December 2009, the recoverable amounts of the hotel buildings located in the USA are estimated to be HK$1,225,463,000 (2008: HK$1,085,000,000) and the carrying amounts of the hotel buildings before impairment losses were HK$1,716,371,000 (2008: HK$1,278,829,000), resulting in impairment losses of HK$490,908,000 (2008: HK$193,829,000) recognised in the consolidated income statement.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 31, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors of the Company review the capital structure on a regular basis. As part of this review, the Directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the Directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available for sale investments, investment in convertible bonds, notes receivable, amounts due from associates, trade debtors, financial assets carried at FVTPL, bank balances and cash, trade creditors, derivative financial instruments, unsecured bank overdrafts and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Interest rate risk

Interest rate risk management

The Group's fair value interest rate risk relates to fixed-rate short term bank deposits, unsecured bonds and medium term notes for the first six months to twelve months starting from the issue date included in notes receivable, straight debt receivable in investment in convertible bonds and fixed rate bank and other borrowings. The Group's exposure to cash flow interest rate risk is resulted from fluctuations in interest rates on medium term notes included in notes receivable and variable rate borrowings.

The Group will continue to maintain a reasonable mix of floating-rate and fixed-rate borrowings and take actions such as using interest rate swap to hedge against any foreseeable interest rate exposure, if necessary.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR") arising from the Group's medium term notes included in notes receivable and variable rate borrowings.

The interest rate and terms of straight debt receivable in investment in convertible bonds, notes receivable, bank balances and borrowings for the Group are set out in notes 22, 23, 25 and 31 respectively.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings and interest rate swap at the end of the reporting period. The effect on notes receivable is not included in the sensitivity analysis as the impact is insignificant. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2008: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2009 would decrease/increase by HK$19,848,000 (2008: loss before tax: increase/decrease by HK$21,587,000).

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(ii) Currency risk

The Group has certain bank deposits, notes receivable and structured deposits and notes included in financial assets carried at FVTPL that are denominated in foreign currencies which expose the Group to foreign currency risk. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate and where necessary, using foreign exchange derivative contracts.

Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Pound Sterling	101,631	877	—	365
United States dollars	1,282,520	990,566	2,104	6,575
Euro dollars	49	1,703	52	623
Australian dollars	99,024	14,917	—	—
New Zealand dollars	4,211	—	—	—

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% (2008: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US dollars, it is assumed that there would be no material currency risk exposure between these two currencies and therefore is excluded from the analysis below. 10% (2008: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2008: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weakening 10% (2008: 10%) against the relevant currency. For a 10% (2008: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	2009 HK$'000	2008 HK$'000
Pound Sterling	10,163	51
Euro dollars	—	108
Australian dollars	9,902	1,492
New Zealand dollars	421	—

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Market risk (continued)

(iii) Other price risk

The Group's listed available for sale investments, held-for-trading investments and embedded derivatives in investment in convertible bonds are measured at fair value at the end of the reporting period. Therefore, the Group is exposed to equity price risk in relation to these financial assets. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

Other price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed available for sale investments and held-for-trading investments had been 10% (2008: 10%) higher/lower:

- profit for the year ended 31 December 2009 would increase/decrease by HK$12,030,000 (2008: increase/decrease by HK$9,982,000) as a result of the changes in fair value of listed financial assets carried at FVTPL; and
- deficit in investment revaluation reserve would decrease/increase by HK$806,327,000 (2008: decrease/increase by HK$448,284,000) for the Group as a result of the changes in fair value of listed available for sale investments.

If the volatility of unit of Champion REIT to the valuation model of embedded derivatives in investment in convertible bonds had been 5% (2008: 5%) higher/lower while all other variables were held constant:

- profit before tax for the year ended 31 December 2009 would increase/decrease by HK$39,562,000/HK$61,939,000 (2008: increase/decrease by HK$20,350,000/HK$15,179,000) as a result of the changes in fair value of embedded derivatives in investment in convertible bonds.

(b) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

During the year ended 31 December 2009, in respect of floating-rate bank loans with aggregate carrying amounts of HK$845,557,000 (31 December 2008: HK$1,194,400,000) at the end of the reporting period, the Group did not meet certain requirements of the loan facility which are primarily related to the debt service coverage ratios. Accordingly, the Group placed HK$61,521,000 (31 December 2008: HK$33,887,000) into designated bank account and no immediate repayment of the bank loan was required.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, which has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated based on interest rate at the end of the reporting period.

The amounts included below for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rate different to those estimates of interest rates determined at the end of the reporting period.

	Interest rate %	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31.12.2009 HK$'000
2009									
Non-interest bearing	—	285,521	—	—	—	—	—	285,521	285,521
Fixed-rate interest rate instruments	4.91% to 12.50%	10,117	53,435	18,841	497,656	—	—	580,049	549,930
Variable interest rate instruments	1.91% to 4.99%	144,721	71,341	96,844	1,152,030	2,531,381	127,120	4,123,437	3,963,769
		440,359	124,776	115,685	1,649,686	2,531,381	127,120	4,989,007	4,799,220

	Interest rate %	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31.12.2008 HK$'000
2008									
Non-interest bearing	—	705,681	—	—	—	—	—	705,681	705,681
Fixed-rate interest rate instruments	4.91% to 12.50%	17,576	10,072	20,125	80,537	497,329	—	625,639	563,816
Variable interest rate instruments	2.33 to 8.30%	91,958	94,889	1,649,265	186,428	1,126,706	1,017,037	4,166,283	3,869,288
		815,215	104,961	1,669,390	266,965	1,624,035	1,017,037	5,497,603	5,138,785

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments based on their contractual maturities. For derivative financial instruments settled on a net basis, undiscounted net cash (inflows)/outflows are presented. For derivative financial instruments settle on a gross basis, undiscounted cash inflows and outflows are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	Total HK$'000
2009				
Derivatives gross settlement				
Currency forward contracts				
- inflow	(20,951)	(14,464)	—	(35,415)
- outflow	21,167	14,839	—	36,006
	216	375	—	591
2008				
Derivatives net settlement				
Interest rate swaps	2,631	2,409	1,073	6,113
Derivatives gross settlement				
Currency forward contracts				
- inflow	(6,557)	—	—	(6,557)
- outflow	8,614	—	—	8,614
	2,057	—	—	2,057

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

The Group's principal financial assets are available for sale investments, investment in convertible bonds, notes receivable, amounts due from associates, trade debtors, structured deposits and notes designated as at FVTPL and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds, notes receivable and structured deposits and notes designated as at FVTPL are limited because the counterparties are banks and financial institutions with high credit-ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to its trade debtors and amounts due from associates. The trade debtors presented in the consolidated statement of financial position are net of allowances for doubtful debts. In determining the recoverability of a trade debtor, the Group considers any change in the credit quality of the trade debtor from the date credit was initially granted up to the reporting date.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debtors and investment in convertible bonds at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on investment in convertible bonds, notes receivable and structured deposits and notes designated as at FVTPL, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables		
Trade debtors	225,706	250,037
Other receivables	37,768	97,670
Notes receivable	427,531	77,500
Amounts due from associates	12,077	12,077
Straight debt receivable in investment in convertible bonds	2,420,897	2,298,417
Restricted cash	61,521	33,887
Bank balances and cash	1,859,563	3,359,122
	5,045,063	6,128,710
Financial assets at fair value through profit or loss		
Held for trading financial assets	120,296	99,825
Embedded derivatives in investment in convertible bonds	300,612	28,410
Designated as at FVTPL	297,889	—
	718,797	128,235
Available for sale financial assets		
Available for sale investments	8,083,050	4,502,622
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	150,826	184,285
Other payables	134,695	521,396
Borrowings	4,504,368	4,423,090
Unsecured bank overdrafts	9,331	10,014
	4,799,220	5,138,785
Financial liabilities at fair value through profit or loss		
Derivative financial instruments classified as held for trading	591	7,814

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

– the fair value of listed available for sale investments and financial assets carried at FVTPL with standard terms and conditions and traded on active liquid markets are determined with reference to quoted closing prices.

– the fair values of structured deposits and notes designated as at FVTPL and derivative financial instruments are determined using valuation provided by counterparty financial institutions and banks. For embedded derivatives in investment in convertible bonds, their fair values are determined based on the Binomial model using the assumptions that are supported by observable market data.

– the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The Directors of the Company consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

(f) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2009				
Financial assets at fair value through profit or loss				
Held for trading financial assets	120,296	—	—	120,296
Embedded derivatives in investment in convertible bonds	—	—	300,612	300,612
Designated as at FVTPL	—	—	297,889	297,889
Available for sale financial assets				
Available for sale investments	8,083,050	—	—	8,083,050
	8,203,346	—	598,501	8,801,847
Financial liabilities at fair value through profit or loss				
Derivative financial instruments classified as held for trading	—	591	—	591

There were no transfers between Level 1 and 2 in the current year.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (continued)

Reconciliation of Level 3 fair value measurement of financial assets

	Designated as at FVTPL HK$'000	Embedded derivatives in investment in convertible bonds HK$'000	Total HK$'000
At 1 January 2009	—	28,410	28,410
Purchase during the year	297,889	—	297,889
Change in fair value recognised in profit or loss	—	272,202	272,202
As 31 December 2009	297,889	300,612	598,501

The above change in fair value is reported as "fair value changes on derivative financial instruments" in the consolidated income statement.

7. REVENUE

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

	2009 HK$'000	2008 HK$'000
Property rental income	250,726	476,701
Building management service income	19,159	51,413
Hotel income	2,570,447	3,063,194
Sales of goods	113,358	172,757
Dividend income	580,922	466,630
Management service income earned as a manager of real estate investment trust	205,107	285,103
Others	218,647	234,635
	3,958,366	4,750,433

8. 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. Specifically, segment information reported internally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. property investment, hotel operation, income from Champion REIT, other operations). As a result, additional reportable segment "Income from Champion REIT" was reported. However, the adoption of HKFRS 8 has not changed the basis of measurement of segment results. The Group's operating segments under HKFRS 8 are as follows:

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

Segment results represent the results by each segment without including any effect of allocation of interest income from bank balances and cash centrally managed, central administration costs, directors' salaries, share of results of associates, depreciation and amortisation, fair value changes on investment properties, derivative financial instruments and financial assets carried at FVTPL, impairment losses recognised in respect of hotel buildings, loss on disposal of property investment subsidiaries, finance costs and income taxes. This is the measurement basis reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. The following is the analysis of the Group's revenue and results by reportable segment for the year under review:

2009

Segment revenue and results

	Property investment HK$000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External revenue	269,885	2,570,447	848,237	269,797	—	3,958,366
Inter-segment revenue	20,376	—	—	11,529	(31,905)	—
Total	290,261	2,570,447	848,237	281,326	(31,905)	3,958,366

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

	Property investment HK$000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS						
Segment result	164,581	428,554	818,164	321,112		1,732,411
Unallocated corporate income						10,366
Unallocated corporate expenses						(149,979)
Depreciation and amortisation						(359,788)
Fair value changes on investment properties						85,482
Fair value changes on derivative financial instruments						279,887
Fair value changes on financial assets carried at fair value through profit or loss						48,473
Impairment losses recognised in respect of hotel buildings						(490,908)
Finance costs						(131,639)
Share of results of associates						16,450
Profit before tax						1,040,755
Income taxes						141,911
Profit for the year attributable to owners of the Company						1,182,666

8. SEGMENT INFORMATION (continued)

2009 (continued)

Other segment information

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amount included in the measure of segment result:					
Reversal of provision on construction fee payable	—	—	—	105,256	105,256

2008

Segment revenue and results

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External revenue	528,114	3,063,194	812,283	346,842	—	4,750,433
Inter-segment revenue	37,115	—	—	18,741	(55,856)	—
Total	565,229	3,063,194	812,283	365,583	(55,856)	4,750,433

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

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS						
Segment result	335,145	530,747	786,208	76,762		1,728,862
Unallocated corporate income						70,409
Unallocated corporate expenses						(156,453)
Depreciation and amortisation						(358,893)
Fair value changes on investment properties						(272,697)
Fair value changes on derivative financial instruments						(81,985)
Fair value changes on financial assets carried at fair value through profit or loss						(85,254)
Impairment loss recognised in respect of a hotel building						(193,829)
Loss on disposal of property investment subsidiaries						(450,814)
Finance costs						(321,682)
Share of results of associates						13,159
Loss before tax						(109,177)
Income taxes						180,847
Profit for the year attributable to owners of the Company						71,670

8. SEGMENT INFORMATION (continued)

2008 (continued)

Other segment information

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measure of segment result:					
Allowance for doubtful debts	—	—	—	56,178	56,178
Fitting-out works written off	—	137,486	—	—	137,486

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the chief operating decision maker. Accordingly, no segment assets and liabilities are presented.

Geographical information

The Group's operations are mainly located in Hong Kong, the USA, Canada, the United Kingdom, Australia and New Zealand.

A geographical analysis of the Group's revenue from external customers based on the geographical location of customers except for property investment and hotel operations which are based on the geographical location of the properties and information about its carrying amount of non-current assets excluding financial instruments and interests in associates by the geographical location of the assets are detailed as follows:

	Revenue from external customers		Carrying amounts of non-current assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Hong Kong	2,273,662	2,755,629	7,418,188	7,265,000
The USA	577,013	674,538	2,200,535	2,922,378
Canada	442,442	588,816	740,438	655,546
The United Kingdom	243,849	192,516	1,991,963	1,607,455
Australia	284,819	331,532	711,264	558,333
New Zealand	120,600	179,435	371,565	256,077
Others	15,981	27,967	639,135	52,174
	3,958,366	4,750,433	14,073,088	13,316,963

9. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income on:		
Bank deposits	13,890	103,583
Investment in convertible bonds (note 22)	145,880	81,033
Notes receivable and structured deposits and notes designated as at FVTPL	12,032	1,597
	171,802	186,213
Reversal of provision on construction fee payable (note)	105,256	—
Net exchange gain	4,880	—
Reversal of allowance for doubtful debts, net	1,363	—
Sundry income	4,744	4,330
	288,045	190,543

Note: During the year ended 31 December 2009, the construction fee payable in respect of investment properties disposed on 3 June 2008 (note 36) was finalised (see note 41), resulting in a release of provision on construction fee payable amounting to HK$105,256,000.

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank borrowings wholly repayable within five years	77,834	205,523
Interest on other loans wholly repayable within five years	43,691	101,389
Other borrowing costs	10,114	14,770
	131,639	321,682

11. INCOME TAXES

	2009 HK$'000	2008 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	88,047	89,490
Other jurisdictions	13,926	39,731
	101,973	129,221
Overprovision in prior years:		
Hong Kong Profits Tax	(30,146)	(1,605)
Other jurisdictions	(4,034)	(830)
	(34,180)	(2,435)
	67,793	126,786
Deferred tax (note 32):		
Current year	(243,491)	(207,460)
Underprovision in prior years	33,787	—
Attributable to change in tax rate	—	(100,173)
	(209,704)	(307,633)
	(141,911)	(180,847)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

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

Included in the overprovision of Hong Kong Profits Tax in prior years of HK$30,157,000 and an underprovision of deferred tax in prior years of HK$31,298,000, both arose from revision of previous years' tax computations in respect of depreciation allowance of a hotel property located in Hong Kong during the year ended 31 December 2009.

11. INCOME TAXES (continued)

The tax credit for the year can be reconciled to the profit (loss) before tax per the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Profit (loss) before tax	1,040,755	(109,177)
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	171,725	(18,014)
Tax effect of expenses that are not deductible for tax purpose	17,475	113,321
Tax effect of income that is not taxable for tax purpose	(172,532)	(107,049)
Tax effect of deductible temporary difference not recognised	17,686	—
Overprovision in prior years	(393)	(2,435)
Tax effect of share of results of associates	(2,714)	(2,171)
Tax effect of tax losses not recognised	20,853	22,001
Utilisation of tax losses previously not recognised	(30,433)	(7,511)
Decrease in opening deferred taxation liability resulting from a decrease in applicable tax rate	—	(100,173)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(165,681)	(85,433)
Others	2,103	6,617
Tax credit for the year	(141,911)	(180,847)

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

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	1,162,045	1,285,894
Share based payments (including directors' emoluments)	4,176	10,720
	1,166,221	1,296,614
Amortisation of prepaid lease payments	44,771	44,771
Depreciation on		
- hotel buildings	184,769	190,912
- other property, plant and equipment	130,248	123,210
	315,017	314,122
Auditor's remuneration	8,131	7,703
Allowance for doubtful debts (included in other expenses)	—	56,178
Fitting-out works of hotel building written off (included in other expenses)	—	137,486
Operating lease payments on rented premises	51,562	29,196
Cost of inventories recognised as an expense	393,822	516,544
Share of tax of associates (included in the share of results of associates)	1,645	512
Loss on disposal of property, plant and equipment (included in other expenses)	163	2,023
Net exchange loss	—	4,250
and after crediting:		
Net exchange gain	4,880	—
Dividend income from listed investments:		
- Champion REIT	578,979	464,342
- Others	1,943	2,288
	580,922	466,630
Rental income from investment properties less related outgoings of HK$86,523,000 (2008: HK$138,924,000)	164,203	337,777

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the twelve (2008: eleven) directors were as follows:

	2009					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	120	—	—	—	—	120
Dr. LO Ka Shui	120	4,998	847	1,077	170	7,212
Mr. LO Kai Shui	120	1,294	199	246	60	1,919
Mr. CHENG Hoi Chuen, Vincent	380	—	—	—	—	380
Professor WONG Yue Chim, Richard	340	—	—	—	—	340
Mrs. LEE Pui Ling, Angelina	340	—	—	—	—	340
Mr. ZHU Qi	94	—	—	—	—	94
Mr. LO Hong Sui, Antony	120	1,141	190	246	57	1,754
Madam LAW Wai Duen	120	466	78	194	23	881
Mr. LO Hong Sui, Vincent	120	—	—	—	—	120
Dr. LO Ying Sui, Archie	120	—	—	—	—	120
Mr. KAN Tak Kwong	120	3,260	815	460	163	4,818
	2,114	11,159	2,129	2,223	473	18,098

	2008					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	120	—	—	—	—	120
Dr. LO Ka Shui	120	5,008	565	2,337	170	8,200
Mr. LO Kai Shui	120	1,294	199	779	60	2,452
Mr. CHENG Hoi Chuen, Vincent	380	—	—	—	—	380
Professor WONG Yue Chim, Richard	340	—	—	—	—	340
Mrs. LEE Pui Ling, Angelina	340	—	—	—	—	340
Mr. LO Hong Sui, Antony	120	1,141	190	779	57	2,287
Madam LAW Wai Duen	120	466	78	389	23	1,076
Mr. LO Hong Sui, Vincent	120	—	—	—	—	120
Dr. LO Ying Sui, Archie	120	—	—	—	—	120
Mr. KAN Tak Kwong	120	3,260	1,358	1,169	163	6,070
	2,020	11,169	2,390	5,453	473	21,505

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2008: two) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2008: three) individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	9,824	8,920
Discretionary bonuses	985	1,231
Share options	445	974
Retirement benefits scheme contributions	583	447
	11,837	11,572

	2009 Number of employees	2008 Number of employees
Bands:		
HK$3,000,001 - HK$3,500,000	1	—
HK$3,500,001 - HK$4,000,000	1	2
HK$4,000,001 - HK$4,500,000	—	1
HK$4,500,001 - HK$5,000,000	1	—
	3	3

14. DIVIDENDS

	2009 HK$'000	2008 HK$'000
Dividends paid and recognised as distributions during the year:		
– Final dividend of HK35 cents in respect of 2008 (2008: HK35 cents in respect of 2007) per ordinary share	213,381	211,643
– Interim dividend of HK17 cents in respect of 2009 (2008: HK20 cents in respect of 2008) per ordinary share	105,711	121,933
– Special dividend of HK$2.7 per ordinary share in respect of 2008	—	1,646,093
	105,711	1,768,026
	319,092	1,979,669
Dividends proposed:		
– Proposed final dividend of HK35 cents in respect of 2009 (2008: HK35 cents in respect of 2008) per ordinary share	217,639	213,381

The proposed final dividend in respect of 2009 is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2009 HK$'000	2008 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	1,182,666	71,670
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	615,928,605	607,238,125
Effect of dilutive potential shares:		
Share options	846,650	61,667
Weighted average number of shares for the purpose of diluted earnings per share	616,775,255	607,299,792

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and hotel buildings HK$'000	Owner occupied land and buildings situated in Hong Kong HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST						
At 1 January 2008	8,944,334	394,721	562,679	4,075	1,243	9,907,052
Exchange adjustments	(1,226,450)	—	(69,276)	—	—	(1,295,726)
Additions	1,798,921	—	115,408	419	—	1,914,748
Transfer from investment properties	—	69,400	—	—	—	69,400
Disposals/written off	(188,722)	(374,366)	(2,688)	(379)	—	(566,155)
At 31 December 2008	9,328,083	89,755	606,123	4,115	1,243	10,029,319
Exchange adjustments	676,392	—	52,307	—	—	728,699
Additions	310,683	—	76,653	—	—	387,336
Disposals/written off	—	—	(1,234)	(570)	(1,220)	(3,024)
At 31 December 2009	10,315,158	89,755	733,849	3,545	23	11,142,330
DEPRECIATION AND IMPAIRMENT						
At 1 January 2008	1,466,294	26,405	290,804	3,080	1,238	1,787,821
Exchange adjustments	(195,387)	—	(36,620)	—	—	(232,007)
Charge for the year	190,912	6,554	116,129	522	5	314,122
Impairment loss recognised in the consolidated income statement	193,829	—	—	—	—	193,829
Eliminated on disposals/written off	(51,236)	(20,886)	(605)	(379)	—	(73,106)
At 31 December 2008	1,604,412	12,073	369,708	3,223	1,243	1,990,659
Exchange adjustments	145,951	—	33,706	—	—	179,657
Charge for the year	184,769	3,137	126,703	408	—	315,017
Impairment loss recognised in the consolidated income statement	490,908	—	—	—	—	490,908
Eliminated on disposals/written off	—	—	(856)	(570)	(1,220)	(2,646)
At 31 December 2009	2,426,040	15,210	529,261	3,061	23	2,973,595
CARRYING VALUES						
At 31 December 2009	7,889,118	74,545	204,588	484	—	8,168,735
At 31 December 2008	7,723,671	77,682	236,415	892	—	8,038,660

At 31 December 2009, hotel buildings with carrying amounts of HK$2,868,303,000 (2008: HK$2,944,060,000) were situated in Hong Kong under medium-term leases. The remaining balance of HK$5,020,815,000 (2008: HK$4,779,611,000) represents freehold land outside Hong Kong and hotel buildings situated thereon.

Owner occupied land and buildings situated in Hong Kong are held under long-term leases.

At 31 December 2009, the Directors of the Company conducted an impairment assessment on hotel properties, due to their economic performance worse than previously expected. Accordingly, the recoverable amounts of the hotel properties located in the USA were determined less than their carrying amounts. The review led to the recognition of an impairment loss of HK$490,908,000 (2008: HK$193,829,000) in the consolidated income statement. The recoverable amounts of the hotel properties (comprising freehold land and hotel buildings) were determined by value in use which were estimated using the future cash flows expected to arise and suitable discount rates ranging from 10.5% to 11% (2008: 9%) in order to calculate the present values.

17. PREPAID LEASE PAYMENTS

	2009 HK$'000	2008 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Long lease	19,699	19,865
Medium-term lease	1,686,714	1,731,319
	1,706,413	1,751,184
Analysed for reporting purposes as:		
Non-current asset	1,661,642	1,706,413
Current asset	44,771	44,771
	1,706,413	1,751,184

18. INVESTMENT PROPERTIES

	2009 HK$'000	2008 HK$'000
FAIR VALUE		
At 1 January	3,571,890	17,609,630
Exchange adjustments	653	(7,775)
Additions	6,601	20,345
Increase (decrease) in fair value recognised in the consolidated income statement	85,482	(272,697)
Disposal of property investment subsidiaries	—	(13,687,000)
Disposals/written off	(12,915)	(21,213)
Transfer to property, plant and equipment	—	(69,400)
At 31 December	3,651,711	3,571,890

(a) The Group's property interests situated in Hong Kong of HK$2,745,140,000 (2008: HK$2,445,040,000) which are held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) The fair value of the Group's investment properties at 31 December 2009 and 2008 has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong - Savills Valuation and Professional Services Limited (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 and market yield expected by property investors. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

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.

18. INVESTMENT PROPERTIES (continued)

(c) The carrying amount of investment properties includes land situated in Hong Kong and outside of Hong Kong as follows:

	2009 HK$'000	2008 HK$'000
Long leases in Hong Kong	2,592,140	2,306,040
Medium-term leases in Hong Kong	153,000	139,000
Freehold land outside Hong Kong	906,571	1,126,850
	3,651,711	3,571,890

19. DEPOSIT FOR ACQUISITION OF PREPAID LEASE PAYMENT

On 9 October 2009, the Group paid HK$591 million (equivalent to approximately RMB520 million) as a deposit for the open tender.

On 15 October 2009, the Group successfully tendered for a plot of land at a consideration of RMB734 million (equivalent to approximately HK$835 million) in Donggang area, Renmin Road East, which is the commercial and financial centre of Dalian, the People's Republic of China.

At the year ended 31 December 2009, the land use right of the land was not yet transferred to the Group.

20. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Cost of investment in associates:		
Unlisted associates in Hong Kong	12	12
Listed associate in Hong Kong	2,596	2,596
Share of post acquisition profit, net of dividend received	56,858	44,472
	59,466	47,080
Market value of the listed associate	58,188	36,915

The summarised financial information in respect of the Group's associates is set out below:

	2009 HK$'000	2008 HK$'000
Total assets	649,074	510,338
Total liabilities	(262,434)	(194,961)
Net assets	386,640	315,377
Group's share of net assets of associates	59,466	47,080
Revenue	698,689	593,438
Profit for the year	80,748	80,798
Group's share of results of associates for the year	16,450	13,159

Particulars regarding the principal associates are set out in note 43.

21. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments comprise:

	2009 HK$'000	2008 HK$'000
Listed in Hong Kong:		
– units issued by Champion REIT	7,982,977	4,433,971
– equity securities	80,292	48,870
Unlisted equity securities in Hong Kong	19,781	19,781
	8,083,050	4,502,622
Market value of listed securities	8,063,269	4,482,841

The Group's investment in Champion REIT represents approximately 51% (2008: 49%) unitholding of Champion REIT which is more than 10% of the assets in the Group's consolidated statement of financial position. 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 whether there exist any objective evidence of impairment of the Group's investment in Champion REIT, the Directors of the Company consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of Champion REIT. The Directors of the Company assessed that no objective evidence of impairment was identified. Accordingly, no impairment loss is recognised.

At the end of the reporting period, all the listed securities are stated at fair values 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 the reporting period because the range of reasonable fair value estimates is so widespread that the Directors of the Company are of the opinion that their fair values cannot be measured reliably since significant subjective judgements are required in valuing their underlying assets.

22. INVESTMENT IN CONVERTIBLE BONDS

	Straight debt HK$'000	Embedded derivatives HK$'000	Total HK$'000
Subscribed on 3 June 2008	2,229,084	110,916	2,340,000
Interest income recognised during the year	81,033	—	81,033
Interest received	(11,700)	—	(11,700)
Change in fair value recognised in profit or loss	—	(82,506)	(82,506)
At 31 December 2008	2,298,417	28,410	2,326,827
Interest income recognised during the year	145,880	—	145,880
Interest received	(23,400)	—	(23,400)
Change in fair value recognised in profit or loss	—	272,202	272,202
At 31 December 2009	2,420,897	300,612	2,721,509

During the year ended 31 December 2008, the Group subscribed an aggregate principal amount of HK$2,340 million 1% guaranteed convertible bonds due 2013 ("Bonds") issued by Champion REIT (out of HK$4,680 million issued).

The Bonds entitle the holders to convert them into units of Champion REIT at any time on or after 3 June 2009 up to the date which is seven days prior to 3 June 2013 at conversion price adjusted to HK$3.92 on 27 May 2009 and re-adjusted to HK$3.83 per unit on 13 October 2009. If the holder has elected to convert the Bonds, the issuer shall have an option to pay to the holders in whole or in part an amount of cash equal to the market values of the number of units deliverable. If the Bonds have not been converted, redeemed by the issuer or the holders or purchased and cancelled, they will be redeemed on 3 June 2013 at 123.94% of the outstanding principal amount. Interest of 1% will be paid semi-annually in arrears on 3 June and 3 December each year, commencing on 3 December 2008.

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

The fair values of the embedded derivatives at subscription date and the end of the reporting periods were determined based on valuation carried out by an independent valuer. The fair value is determined based on the Binomial model using the assumptions, including dividend yield of 8.02% (31 December 2008: 15.32%), unit price of Champion REIT at HK$3.3 (31 December 2008: HK$2.08), risk-free rate of 2.09% (31 December 2008: 1.12%) in respect of the Bonds, and expected volatility of 39.93% (31 December 2008: 40%) with reference to Champion REIT's historical volatility of the past 3.5 years (31 December 2008: 2.5 years).

23. NOTES RECEIVABLE

	2009 HK$'000	2008 HK$'000
Unsecured bonds	269,980	—
Medium term notes	157,551	77,500
	427,531	77,500
Less: Amounts due within one year shown under current assets	(204,118)	—
Amounts due after one year	223,413	77,500

At 31 December 2009, the Group subscribed unsecured bonds and medium term notes with principals amounting to HK$263,802,000 (2008: nil) and HK$157,525,000 (2008: HK$77,500,000), respectively, issued by reputable financial institutions.

The unsecured bonds denominated in United States dollars or Australian dollars carry annual coupon ranging from 4.125% to 7% per annum with maturity dates ranging from July 2010 to August 2017, while the medium term notes carry interest quarterly fixed rates ranging from 3% to 5.15% per annum in the first six to twelve months starting from the issue dates and at variable rates either relying on HIBOR or LIBOR plus certain spread thereafter till the maturity dates ranging from August 2010 to August 2013.

24. AMOUNTS DUE FROM ASSOCIATES

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

25. RESTRICTED CASH, BANK BALANCES AND CASH, UNSECURED BANK OVERDRAFTS

Restricted cash

At the end of the reporting period, an amount equivalent to HK$61,521,000 (2008: HK$33,887,000) was placed in designated bank account pursuant to applicable loan facilities requirements as described in note 31.

Bank balances and cash

Bank balances including short-term bank deposits with maturity of less than three months carry interest at market rates which range from 0.0001% to 3.5% (2008: 0.005% to 7.1%) per annum.

Unsecured bank overdrafts

Bank overdrafts bear interest at market rates which range from 5% to 9.9% (2008: 5.75% to 18.6%) per annum.

26. INVENTORIES

	2009 HK$'000	2008 HK$'000
Completed properties held for sale	42	42
Raw materials	3,853	7,785
Trading goods	5,508	22,097
Provisions and beverages	31,827	31,820
Work-in-progress	24,544	49,376
	65,774	111,120

27. DEBTORS, DEPOSITS AND PREPAYMENTS

	2009 HK$'000	2008 HK$'000
Trade debtors, net of allowance for doubtful debts	225,706	250,037
Deferred rent receivables	20,153	16,079
Other receivables	37,768	97,670
Deposits and prepayments	56,138	107,440
	339,765	471,226

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 based on the invoice date:

	2009 HK$'000	2008 HK$'000
0 - 3 months	220,820	237,626
3 - 6 months	4,086	7,281
Over 6 months	800	5,130
	225,706	250,037

Included in the Group's trade debtors balance are debtors with a carrying amount of HK$4,886,000 (2008: HK$12,411,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade debtors balance past due but not impaired

	2009 HK$'000	2008 HK$'000
3 - 6 months	4,086	7,281
Over 6 months	800	5,130
Total	4,886	12,411

Movement in allowance for doubtful debts

	2009 HK$'000	2008 HK$'000
At 1 January	63,091	6,913
Amounts recovered	(1,363)	—
Increase in allowance recognised in profit or loss	—	56,178
At 31 December	61,728	63,091

During the year ended 31 December 2008, the Directors of the Company made credit provision amounting to HK$56,178,000 after taking into consideration of the respective trade debtors balance past due and aged over 6 months as at 31 December 2008 and objective evidence of impairment including delinquency in principal payments.

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors of the Company believe that there is no further credit provision required in excess of the allowance for doubtful debts.

28. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK$'000	2008 HK$'000
Held-for-trading listed securities in Hong Kong:		
– Champion REIT	120,296	75,823
Structured deposits and notes designated as at FVTPL	297,889	—
Held-for-trading unlisted equity linked note	—	24,002
	418,185	99,825
Less: Amounts due within one year shown under current assets	(340,634)	(99,825)
Amounts due after one year	77,551	—

During the year ended 31 December 2008, the Group received management service income, by way of units, as the manager of Champion REIT. The units are classified as held for trading for the purpose of selling in the near future.

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, with aggregate fair value of HK$28,002,000, were received by the Group in exchange at the contracted exercise price and were classified as available for sale investments.

During the year ended 31 December 2009, the Group entered into certain principal protected structured deposits and notes with principal amount of US$38,412,000 (equivalent to HK$297,889,000) with banks with maturity ranging from 2010 to 2011. 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 FVTPL on initial recognition.

The fair values of structured deposits and notes designated as at FVTPL and the held-for-trading unlisted equity linked note at the end of the reporting periods are provided by counterparty banks and financial institution.

29. CREDITORS, DEPOSITS AND ACCRUALS

	2009 HK$'000	2008 HK$'000
Trade creditors	150,826	184,285
Rental deposits	146,432	137,045
Construction fee payable and retention money payable	15,794	380,333
Accruals, interest payable and other payables	322,868	354,324
	635,920	1,055,987

The aged analysis of trade creditors based on the invoice date is as follows:

	2009 HK$'000	2008 HK$'000
0 - 3 months	145,207	169,118
3 - 6 months	43	19
Over 6 months	5,576	15,148
	150,826	184,285
Rental deposits		
– Due within one year	129,171	119,972
– Due more than one year	17,261	17,073
	146,432	137,045

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 HK$'000	2008 HK$'000
Interest rate swaps	—	5,757
Foreign currency derivative contracts	591	2,057
	591	7,814

During the year ended 31 December 2008, 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 40,000,000 in aggregate were entered for periods up to August 2009, to swap floating-rate borrowings to fixed interest rates ranging from 4.91% to 5.48% per annum.

In addition, the Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in the United Kingdom, Australia and New Zealand. The Group is required to sell or buy Pound Sterling, Australian dollars and New Zealand dollars against United States dollars at contracted rates under these derivative contracts. At the end of the reporting period, the unexpired notional amount of these outstanding derivatives contracts will fully expire by the end of year 2010.

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

31. BORROWINGS

	2009 HK$'000	2008 HK$'000
Bills payable	—	7,563
Bank loans and revolving loans (secured)	3,439,513	3,277,092
Other non-current loans (secured)	1,077,200	1,148,396
	4,516,713	4,433,051
Loan front-end fee	(12,345)	(9,961)
	4,504,368	4,423,090
The maturity of the above loans is as follows:		
On demand or within one year	247,040	1,668,963
More than one year but not exceeding two years	1,601,329	150,907
More than two years but not exceeding five years	2,655,999	2,603,220
	4,504,368	4,423,090
Less: Amounts due within one year shown under current liabilities	(247,040)	(1,668,963)
Amounts due after one year	4,257,328	2,754,127

31. BORROWINGS (continued)

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2009 HK$'000	2008 HK$'000
Within one year	52,274	15,286
More than one year but not exceeding two years	497,656	51,201
More than two years but not exceeding three years	—	497,329
	549,930	563,816

The exposure of the Group's floating-rate borrowings linking to LIBOR and the contractual maturity dates are as follows:

	2009 HK$'000	2008 HK$'000
Within one year	194,766	1,653,677
More than one year but not exceeding two years	1,103,673	99,706
More than two years but not exceeding three years	2,529,080	1,089,325
More than three years but not exceeding four years	126,919	889,731
More than four years but not exceeding five years	—	126,835
	3,954,438	3,859,274

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

	2009	2008
Effective interest rate:		
Fixed-rate borrowings	4.91% to 12.50%	4.91% to 12.50%
Variable-rate borrowings	1.91% to 4.99%	2.33% to 8.30%

During the year ended 31 December 2009, in respect of floating-rate bank loans with aggregate carrying amounts of HK$845,557,000 (31 December 2008: HK$1,194,400,000) at the end of the reporting period, the Group did not meet certain requirements of the loan facility which are primarily related to the debt service coverage ratios. Accordingly, the Group placed HK$61,521,000 (31 December 2008: HK$33,887,000) into designated bank account and no immediate repayment of the bank loan was required.

32. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior reporting years:

	Investment properties and property, plant and equipment HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2008	2,665,385	(264,063)	(18,099)	2,383,223
Exchange differences	(71,106)	31,495	67	(39,544)
Release upon disposal	(1,259,357)	48,099	—	(1,211,258)
(Credit) charge to income for the year	(99,375)	(117,431)	9,346	(207,460)
Effect of change in tax rate	(110,591)	10,180	238	(100,173)
At 31 December 2008	1,124,956	(291,720)	(8,448)	824,788
Exchange differences	35,368	(18,559)	948	17,757
(Credit) charge to income for the year	(157,963)	(74,758)	23,017	(209,704)
At 31 December 2009	1,002,361	(385,037)	15,517	632,841

At the end of the reporting period, the Group has unutilised tax losses of HK$2,943,490,000 (2008: HK$2,521,553,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,459,730,000 (2008: HK$1,189,648,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,483,760,000 (2008: HK$1,331,905,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$490,908,000 (2008: 193,829,000) arising from impairment losses recognised in respect of hotel buildings. A deferred tax asset has been recognised in respect of HK$383,718,000 (2008: HK$193,829,000) of such deductible temporary difference. No deferred tax asset of has been recognised in respect of the remaining HK$107,190,000 (2008: nil) due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$718,664,000(2008: HK$1,173,303,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

	2009 Number of shares '000	2009 Nominal value HK$'000	2008 Number of shares '000	2008 Nominal value HK$'000
(a) Authorised:				
Shares of HK$0.50 each				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000
(b) Issued and fully paid:				
Shares of HK$0.50 each				
Balance brought forward	609,664	304,832	604,631	302,315
Issued upon exercise of share options under the Scheme	—	—	93	47
Issued as scrip dividends	12,163	6,081	4,940	2,470
Balance carried forward	621,827	310,913	609,664	304,832

During the year ended 31 December 2009, 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.

34. SHARE OPTIONS

In accordance with Share Option Scheme of Great Eagle Holdings Limited (formerly Executive Share Option Scheme) (the "1999 Share Option Scheme"), which was adopted pursuant to an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Since the 1999 Share Option Scheme would expire on 10 June 2009, at the 2009 Annual General Meeting of the Company held on 27 May 2009 ordinary resolutions were proposed to approve the adoption of a new share option scheme ("2009 Share Option Scheme") and termination of the operation of the 1999 Share Option Scheme. The resolutions were approved by the shareholders of the Company and the 2009 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.

34. SHARE OPTIONS (continued)

Further details of the 1999 Share Option Scheme

a. The purpose of the 1999 Share Option Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary (the "Participants") and to allow them to participate in the growth of the Company.

b. Participants of the 1999 Share Option Scheme include any person the Board may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any subsidiary, any executive or non-executive directors of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the 1999 Share Option Scheme.

d. No option may be granted to any Participant under the 1999 Share Option Scheme which, if exercised in full, would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's Shares in issue.

e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36 months' period.

f. Any Participant who accepts an offer of the grant of an option in accordance with the terms of the Scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the participant.

g. The subscription price, the price per Share at which a grantee may subscribe for Shares on the exercise of an option, shall be the higher of (i) the last dealt price of the Shares quoted in the Stock Exchange daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange), and (ii) the average of the last dealt prices of the Shares quoted in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the said offer date, provided that the subscription price shall in no event be less than the nominal value of a Share.

34. SHARE OPTIONS (continued)

Further details of the 2009 Share Option Scheme

a. The purpose of the 2009 Share Option Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary (the "Participants") and to allow them to participate in the growth of the Company.

b. Participants of the 2009 Share Option Scheme include any person the Board may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any subsidiary, any executive or non-executive directors of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the 2009 Share Option Scheme.

d. No option may be granted to any Participant under the 2009 Share Option Scheme which, if exercised in full, would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's Shares in issue.

e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36 months' period.

f. Any Participant who accepts an offer of the grant of an option in accordance with the terms of the Scheme shall pay to the Company HK$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the participant.

g. 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 sheets on the date of offer of an option, which must be a business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange), and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five 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 2009 Share Option Scheme, if relevant.

h. The 2009 Share Option Scheme has a life of 10 years commencing on 27 May 2009.

As at the date of these consolidated financial statements, no option has been granted under the 2009 Share Option Scheme.

34. SHARE OPTIONS (continued)

The following table discloses details of the Company's share options held by employees, including directors, and movements in such holdings under the 1999 Share Option Scheme during the year:

In 2009

	Number of shares				
Year of grant of options	Outstanding options at 1 January 2009	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2009
2004	5,000	—	—	(5,000)	—
2005	898,000	—	—	—	898,000
2007	2,915,000	—	—	(121,000)	2,794,000
2009	—	2,990,000	—	(90,000)	2,900,000
	3,818,000	2,990,000	—	(216,000)	6,592,000
Exercisable at end of the year					3,692,000
Weighted average exercise price	HK$21.36	HK$9.34	—	HK$16.73	HK$16.06

In 2008

	Number of shares				
Year of grant of options	Outstanding options at 1 January 2008	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2008
2003	15,000	—	—	(15,000)	—
2004	5,000	—	—	—	5,000
2005	1,013,000	—	(93,000)	(22,000)	898,000
2007	3,047,000	—	—	(132,000)	2,915,000
	4,080,000	—	(93,000)	(169,000)	3,818,000
Exercisable at end of the year					903,000
Weighted average exercise price	HK$21.25	—	HK$18.21	HK$20.24	HK$21.36

34. SHARE OPTIONS (continued)

Details of the share options held by the Directors under the 1999 Share Option Scheme included in the above table are as follows:

In 2009

	Number of shares				
Year of grant of options	Outstanding options at 1 January 2009	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2009
2004 - 2009	2,070,000	1,221,000	—	—	3,291,000

In 2008

	Number of shares				
Year of grant of options	Outstanding options at 1 January 2008	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2008
2003 - 2007	2,120,000	—	(50,000)	—	2,070,000

The weighted average price of the shares on the date the options were exercised was HK$23.88 for the year ended 31 December 2008. No option has been exercised under the 1999 Share Option Scheme for the year ended 31 December 2009.

Details of options granted under the 1999 Share Option Scheme in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share (HK$)
2003	10.2.2003	11.2.2005 - 10.2.2008	4.625
2004	16.3.2004	17.3.2006 - 16.3.2009	13.550
2005	17.3.2005	18.3.2007 - 17.3.2010	18.210
2007	4.1.2007	5.1.2009 - 4.1.2012	22.350
2009	8.1.2009	9.1.2011 - 8.1.2014	9.340

Notes:

(i) Consideration paid for each grant of an option was HK$1.00.

(ii) The closing price of the shares of HK$0.50 each of the Company quoted on the Stock Exchange on 7 February 2003, 15 March 2004, 16 March 2005, 3 January 2007 and 7 January 2009 being the business date immediately before the date on which share options were granted, were HK$4.55, HK$13.50, HK$18.05, HK$21.90 and HK$9.45, respectively.

(iii) The vesting period for the option grant is 24 months from date of grant.

No option has been granted, exercised or lapsed under the 2009 Share Option Scheme for the year ended 31 December 2009.

34. SHARE OPTIONS (continued)

(iv) The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant:	8/1/2009	4/1/2007	17/3/2005	16/3/2004	10/2/2003
Exercise price:	HK$9.34	HK$22.35	HK$18.21	HK$13.55	HK$4.625
Expected volatility (note a):	52.48%	41.76%	41.88%	46.49%	32%
Expected dividend yield (note b):	5.749%	1.4%	0.95%	0.96%	2.82%
Expected life from grant date:	5 years	5 years	5 years	5 years	5 years
Risk free interest rate (note c):	1.309%	3.82%	3.81%	2.52%	2.98%
Fair value per option:	HK$3.16	HK$7.79	HK$6.63	HK$5.43	HK$1.15

Notes:

(a) The expected volatility was based on historical volatility.
(b) The expected dividend yield was based on historical dividends.
(c) Risk free interest rate was approximated the yield of 5-year Exchange Fund Note on the date of grant.

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

35. RETIREMENT BENEFIT SCHEMES

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administration Region in 2000.

From 1 December 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the Scheme.

Forfeited contributions to retirement schemes for the year ended 31 December 2009 amounting to HK$1,333,000 (2008: HK$208,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2009 charged to the consolidated income statement amounted to HK$40,090,000 (2008: HK$49,433,000). As at 31 December 2009, contributions of HK$414,000 (2008: HK$751,000) due in respect of the year had not been paid over to the schemes.

36. DISPOSAL OF PROPERTY INVESTMENT SUBSIDIARIES

On 14 February 2008, the Group entered into sale and purchase agreements (the "Agreement") 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$'000	HK$'000
Net assets disposed of:		
Investment properties		13,687,000
Owner occupied land and buildings		353,480
Pledged bank deposits		297,424
Debtors, deposits and prepayments		110,175
Bank balances and cash		93
Creditors, deposits and accruals		(197,136)
Bank loans		(4,291,134)
Deferred taxation		(1,211,258)
Net assets disposal of		8,748,644
Total consideration satisfied by:		
Cash	3,145,434	
Fair value of units issued by Champion REIT (note 37(d))	2,812,396	
Fair value of convertible bonds subscribed (note 37(d))	2,340,000	8,297,830
Loss on disposal of property investment subsidiaries		(450,814)
Net cash inflow arising on disposal:		
Cash consideration received		3,145,434
Bank balances and cash disposed of		(93)
		3,145,341

37. MAJOR NON-CASH TRANSACTION

(a) During the year ended 31 December 2009, 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 year ended 31 December 2009, management service income of HK$205,107,000 (2008: HK$285,103,000) was earned as manager of Champion REIT in which HK$205,107,000 (2008: HK$160,103,000) is required to be settled in the form of units of Champion REIT. An amount of HK$105,194,000 (2008: HK$61,977,000) had been settled through receipt of units issued by Champion REIT while the balance of HK$99,913,000 (2008: HK$98,126,000) will be settled in units of Champion REIT subsequent to the year end.

(c) During the year ended 31 December 2009, 187,156,545 (2008: nil) units of Champion REIT were received in lieu of cash in regards of the distributions for the year ended 31 December 2008 amounting to HK$440,775,000 (2008: nil) on initial recognition. The units are classified as available for sale investments and are held for long term purpose.

(d) During the year ended 31 December 2008, the Group received 781,221,000 units of Champion REIT with a fair value of HK$2,812,396,000, as part of the consideration of the Disposal as described in note 36. 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.

38. PLEDGE OF ASSETS

At 31 December 2009, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$2,936,000,000 (2008: HK$2,927,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's freehold land and hotel buildings and prepaid lease payments with a total carrying value of HK$6,121,922,000 and HK$741,751,000 (2008: HK$7,723,671,000 and HK$1,731,319,000), respectively; and

(c) the Group's owner occupied buildings in Hong Kong and prepaid lease payments with a total carrying value of HK$74,545,000 and HK$19,699,000 (2008: HK$77,648,000 and HK$19,865,000), respectively.

39. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2009, the Group has authorised capital expenditure for acquisition of investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK$308,947,000 (2008: HK$263,440,000) of which HK$308,947,000 (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 the reporting period.

40. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$250,726,000 (2008: HK$476,701,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied the properties over the fixed portion of the monthly rentals. Contingent rental income earned during the year ended 31 December 2008 was HK$9,206,000.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	193,368	175,432
In the second to fifth years inclusive	343,543	315,408
After five years	16,268	17,250
	553,179	508,090

Where leases are negotiated at a fixed rate for the first few years, but subject to renegotiation for the remaining contracted lease terms, the minimum lease payments are calculated based on the latest negotiated rent.

The Group as lessee

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	46,631	52,713
In the second to fifth years inclusive	4,684	52,092
	51,315	104,805

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for term of one to three years and rentals are fixed over the respective leases.

41. RELATED PARTY TRANSACTIONS

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

	2009 HK$'000	2008 HK$'000
Transactions with related companies for the year ended 31 December		
Trading income	1,705	1,349
Rental income	4,371	3,964
Management fee received	1,395	1,395
Rental charges	600	600
Cost and expenses incurred for super-structural works	—	65,885
Balances with associates and related companies as at 31 December		
Amounts due from associates (see note 24)	12,077	12,077
Amounts due from related companies (note) (included in debtors, deposits and prepayments)	768	4,775
Amounts due to related companies (note) (included in creditors, deposits and accruals)	824	225,821

Note:

The amounts are unsecured, interest-free and have no fixed repayment terms.

In addition to the above transactions and balances at the end of reporting period, and as announced by the Company on 23 February 2009, 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, a former wholly owned subsidiary of the Group, 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 of the Company 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 year. Upon finalisation of the final contract sum, a release of provision of construction fee payable amounting to HK$105,256,000 was credited to and disclosed as other income in the consolidated income statement.

The remuneration of the Directors and other members of key management during the year were disclosed in note 13. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2009 and 2008 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company
– incorporated and operating in the British Virgin Islands:			
Jolly Trend Limited	2 shares of US$1 each	Investment holding	100%

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong:			
Bon Project Limited	2 shares of HK$1 each	Property investment	100%
Champion Global Services Limited*	1 share of HK$1	Provision of procurement services	100%
Chance Mark Limited	2 shares of HK$1 each	Property investment	100%
Clever Gain Investment Limited	2 shares of HK$1 each	Restaurant operation	100%
Eagle Asset Management (CP) Limited	16,000,000 shares of HK$1 each	Manager of real estate investment trust	100%
Eagle Property Management (CP) Limited	1 share of HK$1	Property management	100%
Ease Billion Development Limited	2 shares of HK$1 each	Property investment	100%
Eaton House Management Limited	10,000 shares of HK$10 each	Management of furnished apartments	100%
Fortuna Wealth Company Limited	2 shares of HK$1 each	Property investment	100%
G E Advertising Agency Limited	2 shares of HK$1 each	Advertising agency	100%
Great Eagle Hospitality Group Limited	1 share of HK$1	Investment holding	100%
Great Eagle (China) Investment Limited	1 share of HK$1	Investment holding	100%
Great Eagle Trading Holdings Limited	1 share of HK$1	Investment holding	100%
Grow On Development Limited	5,000 shares of HK$1 each	Hotel ownership and operation	100%

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong (continued):			
Harvest Star International Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Keysen Engineering Company, Limited	2 shares of HK$1 each	Maintenance services	100%
Langham Hotels International Limited	5,000 shares of HK$1 each	Hotel management	100%
Langham Place Hotel (HK) Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Longworth Management Limited	10,000 shares of HK$1 each	Property management	100%
Million Prime Company Limited	2 shares of HK$1 each	Property investment	100%
Moon Yik Company, Limited	10,000,000 shares of HK$1 each	Property investment	100%
Selex Properties Management Company, Limited	2 shares of HK$l each	Property management	100%
Sharp Bloom Limited	1 share of HK$1	Treasury management	100%
Strong Dynamic Limited	2 shares of HK$1 each	Fitness centre operation	100%
The Great Eagle Company, Limited	2,000,000 shares of HK$0.5 each	Investment holding	100%
The Great Eagle Development and Project Management Limited	2 shares of HK$10 each	Project management	100%
The Great Eagle Engineering Company, Limited	2 shares of HK$1 each	Maintenance services	100%
The Great Eagle Estate Agents Limited	2 shares of HK$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK$100 each	Financing	100%
The Great Eagle Insurance Agency, Limited	1,000 shares of HK$1 each	Insurance agency	100%
The Great Eagle Properties Management Company, Limited	100,000 shares of HK$1 each	Property management	100%
Toptech Co. Limited	2,000,000 shares of HK$1 each	Trading of building materials	100%
Venus Glory Company Limited	2 shares of HK$1 each	Property investment	100%
Worth Bright Company Limited	2 shares of HK$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK$10 each	Property investment	100%

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated in the British Virgin Islands:			
Fine Noble Limited	1 share of US$1	Treasury management	100%
Bright Form Investments Limited	1 share of US$1	Investment holding of convertible bonds	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%
– incorporated in the British Virgin Islands and operating in Australia:			
Katesbridge Group Limited	1 share of US$1	Investment holding	100%
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%
– incorporated in the British Virgin Islands and operating in New Zealand:			
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Property investment	100%
– incorporated and operating in New Zealand:			
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in USA:			
EIH Properties Company – XX, LLC	US$1,000	Property investment	100%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%
Pacific Huntington Hotel Corporation	100 shares of US$0.001 each	Property investment	100%
Pacific 2700 Ygnacio Corporation	100 shares of US$1 each	Property investment	100%
Pacific Ygnacio Corporation	100 shares of no par value	Property investment	100%
Shorthills NJ. Inc.	100 shares of US$1 each	Property investment	100%

* The subsidiary was incorporated during the year ended 31 December 2009.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

None of the subsidiaries had any debt securities subsisting at 31 December 2009 and 2008 or at any time during both years.

43. PARTICULARS OF THE PRINCIPAL ASSOCIATES

Details of the Group's principal associates at 31 December 2009 and 2008 are set out below:

Indirect associates	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Group
– incorporated in the British Virgin Islands:			
City Apex Limited	3,500 shares of US$1 each	Investment holding	23%
– incorporated in the Cayman Islands:			
Recruit Holdings Limited	309,846,000 shares of HK$0.2 each	Investment holding and publishing	20.19%

44. EVENT AFTER THE REPORTING PERIOD

On 5 February 2010, a subscription and shareholders' agreement was signed between an indirect wholly owned subsidiary of the Group and an independent third party investor for jointly developing the land in Dalian, the People's Republic of China (see note19) into apartments for sale and a luxury international hotel. Completion will be taken place not later than 3 March 2010.

APPENDIX I – LIST OF MAJOR PROPERTIES

PROPERTIES HELD FOR LONG-TERM INVESTMENT

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON LAND UNDER LONG LEASES			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	7,000	100%
Eaton House, Nos. 3 - 5 Wanchai Gap Road, Hong Kong	Furnished apartments	35,000	100%
Eaton House, 100 Blue Pool Road, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
ON LAND UNDER MEDIUM-TERM LEASES			
Eaton House, 4H Village Road, Hong Kong	Furnished apartments	23,000	100%
Eaton Hotel, 380 Nathan Road, Kowloon, Hong Kong	Hotel/Commercial	312,000	100%
Langham Hotel, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	364,000	100%
Langham Place Hotel 555 Shanghai Street, Mongkok Kowloon, Hong Kong	Hotel	508,000	100%
ON FREEHOLD LAND			
Langham Hotel, London 1 and 1B Portland Place, Regent Street, London, W1N 4JA, United Kingdom	Hotel/Commercial	390,000	100%
Delta Chelsea Hotel 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
Langham Hotel, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
Langham Hotel, Auckland 83 Symonds Street, Auckland 1, New Zealand	Hotel/Commercial	309,000	100%

PROPERTIES HELD FOR LONG-TERM INVESTMENT (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON FREEHOLD LAND (continued)			
Pacific Ygnacio Plaza 500 Ygnacio Valley Road, Walnut Creek, CA 94596, USA	Office	121,000	100%
2700 Ygnacio Valley Road 2700 Ygnacio Valley Road, Walnut Creek, Contra Costa Country, CA 94598 USA	Office	106,000	100%
Langham Hotel, Boston 250 Franklin Street, Boston, MA 02110, USA	Hotel/Commercial	281,000	100%
353 Sacramento Street 353 Sacramento Street, San Francisco, CA 94111, USA	Commercial/Office	307,000	100%
The Langham, Huntington 1401 South Oak Knoll Avenue Pasadena California 91106 USA	Hotel/Commercial	489,000	100%

APPENDIX II – FIVE YEARS' FINANCIAL SUMMARY

	For the year ended 31 December				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
RESULTS					
Revenue	3,521,201	3,772,253	4,182,039	4,750,433	3,958,366
Profit (loss) before tax	13,408,911	602,198	4,891,266	(109,177)	1,040,755
Income taxes	(2,323,495)	(194,674)	(992,988)	180,847	141,911
Profit for the year	11,085,416	407,524	3,898,278	71,670	1,182,666
Attributable to:					
Owners of the Company	10,028,139	405,506	3,898,273	71,670	1,182,666
Minority interests	1,057,277	2,018	5	—	—
	11,085,416	407,524	3,898,278	71,670	1,182,666
Earnings per share					
Basic	HK$16.93	HK$0.68	HK$6.47	HK$0.12	HK$1.92
Diluted	HK$16.89	HK$0.68	HK$6.46	HK$0.12	HK$1.92
ASSETS AND LIABILITIES					
Total assets	48,497,487	33,198,754	38,269,946	24,403,020	28,166,300
Total liabilities	(22,243,494)	(13,149,819)	(13,188,568)	(6,428,302)	(5,849,196)
	26,253,993	20,048,935	25,081,378	17,974,718	22,317,104
Equity attributable to owners of the Company	24,339,091	20,048,647	25,081,378	17,974,718	22,317,104
Minority interests	1,914,902	288	—	—	—
	26,253,993	20,048,935	25,081,378	17,974,718	22,317,104

Great Eagle
Holdings Limited
鷹君集團有限公司

Incorporated in Bermuda with limited liability
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