



Great Eagle Holdings Limited  
鷹君集團有限公司

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

# Mapping for Growth

2007 年報

ANNUAL REPORT



QUALITY

PROPERTIES



PRIME



LOCATIONS



## Group Profile

### 集團概要

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 Hong Kong, North America and Europe. Its principal holdings include a 48.7% interest in Champion Real Estate Investment Trust, which owns 1.56 million square feet of Grade-A commercial office space in the Central business district of Hong Kong. It also owns a 1.8 million square feet office, retail and hotel complex known as Langham Place in the prime shopping district of Mongkok, Kowloon. In the United States, it owns three office buildings with a total floor area of 534,000 square feet.

The Group's extensive hotel portfolio currently comprises nine properties with over 4,800 rooms, including seven luxury hotels branded under the Langham name in Hong Kong, London, Boston, California, 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 is also active in property management and maintenance services as well as building materials trading. The Group was founded in 1963 in the form of The Great Eagle Company, Limited, which listed on the Hong Kong Stock Exchange in 1972. In 1990, Great Eagle Holdings Limited, a company incorporated in Bermuda, became the listed company and holding company of the Group.

The Group had a net profit of HK\$3,898 million (approximately US\$500 million) in financial year 2007 and a net asset value of HK\$25,081 million (approximately US\$3,215 million) as of 31st December 2007.

鷹君集團為香港大型地產商及酒店公司。集團總部設於香港，業務以發展、投資及管理優質寫字樓、商場、住宅及酒店物業為主，遍及香港、北美及歐洲。集團的主要資產包括冠君產業信託 48.7% 權益，該信託在香港核心商業區擁有一項甲級商用寫字樓物業，面積達一百五十六萬平方呎。此外，集團亦持有一個位於九龍旺角購物旺區的寫字樓、商場及酒店綜合物業項目，面積達一百八十萬平方呎，命名為朗豪坊。於美國亦擁有三幢寫字樓物業，總面積為五十三萬四千平方呎。

集團之酒店物業遍佈世界各地，現時共有九間酒店，客房數目逾四千八百間。包括七間位於香港、倫敦、波士頓、加州、墨爾本及奧克蘭以朗廷或朗豪品牌命名的豪華酒店，香港逸東酒店及多倫多 Delta Chelsea 酒店。除多倫多物業外，其他酒店全部由鷹君集團全資附屬公司朗廷酒店國際有限公司負責管理。

集團其他業務包括物業管理及維修，與及建築材料貿易。集團原以鷹君有限公司為首，於 1963 年創立，並於 1972 年在香港交易所上市。於 1990 年由百慕達註冊之鷹君集團有限公司取代其上市地位並成為集團控股公司。

2007 年財政年度集團純利為港幣三十八億九千八百萬元（約五億美元），於 2007 年 12 月 31 日資產淨值為港幣二百五十億八千一百萬元（約三十二億一千五百萬美元）。

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# Corporate Information

## 公司資料

### DIRECTORS

LO Ka Shui  
Chairman and Managing Director

LO Kai Shui  
Deputy Managing Director

LO TO Lee Kwan  
CHENG Hoi Chuen, Vincent  
WONG Yue Chim, Richard  
LEE Pui Ling, Angelina  
LO Hong Sui, Antony  
LAW Wai Duen  
LO Hong Sui, Vincent  
LO Ying Sui, Archie  
KAN Tak Kwong

### AUDIT COMMITTEE

CHENG Hoi Chuen, Vincent  
Chairman

WONG Yue Chim, Richard  
LEE Pui Ling, Angelina

### REMUNERATION COMMITTEE

LEE Pui Ling, Angelina  
Chairman

CHENG Hoi Chuen, Vincent  
WONG Yue Chim, Richard

### NOMINATION COMMITTEE

WONG Yue Chim, Richard  
Chairman

CHENG Hoi Chuen, Vincent  
LEE Pui Ling, Angelina

### PRINCIPAL BANKERS

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

### SOLICITORS

Mayer Brown JSM  
Clifford Chance

### AUDITORS

Deloitte Touche Tohmatsu

### SECRETARY

TSANG Yiu Wing, Peter

### PRINCIPAL REGISTRARS

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH REGISTRARS

Computershare Hong Kong Investor Services  
Limited  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

### PRINCIPAL OFFICE

33rd Floor, Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong

### WEBSITE

<http://www.greateagle.com.hk>

## 董事

羅嘉瑞  
主席兼董事總經理

羅啟瑞  
副董事總經理

羅杜莉君  
鄭海泉  
王于漸  
李王佩玲  
羅孔瑞  
羅慧端  
羅康瑞  
羅鷹瑞  
簡德光

## 審核委員會

鄭海泉  
主席  
王于漸  
李王佩玲

## 薪酬委員會

李王佩玲  
主席  
鄭海泉  
王于漸

## 提名委員會

王于漸  
主席  
鄭海泉  
李王佩玲

## 主要往來銀行

香港上海滙豐銀行有限公司  
中國銀行(香港)有限公司  
恒生銀行有限公司  
花旗銀行

## 律師

孖士打律師行  
高偉紳律師行

## 核數師

德勤•關黃陳方會計師行

## 秘書

曾耀榮

## 主要股份過戶登記處

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

## 股份過戶登記處香港分處

香港中央證券登記有限公司  
香港  
灣仔  
皇后大道東 183 號  
合和中心 17 樓

## 註冊辦事處

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

## 主要辦事處

香港  
灣仔  
港灣道 23 號  
鷹君中心 33 樓

## 網址

<http://www.greateagle.com.hk>

# Financial Highlights

## 財務摘要

For the year ended 31st December 2007

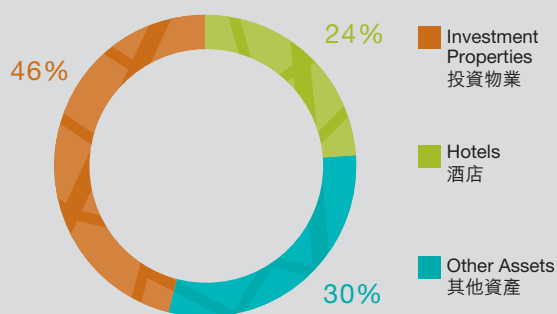
截至 2007 年 12 月 31 日止年度

	2007 HK\$'000 港幣千元	2006 HK\$'000 港幣千元	Change % 變動
Revenue 收益	<b>4,182,039</b>	3,772,253	11%
Profit Before Tax 除稅前溢利	<b>4,891,266</b>	602,198	712%
Profit Attributable to Equity Holders of the Parent 母公司股權持有人應佔溢利	<b>3,898,273</b>	405,506	861%
Earnings Per Share 每股盈利	<b>\$6.47</b>	\$0.68	851%
Dividend Per Share 每股股息	<b>\$0.50</b>	\$5.30	-91%
Equity Attributable to Equity Holders of the Parent 母公司股權持有人應佔權益	<b>25,081,378</b>	20,048,647	25%
Fixed Assets 固定資產	<b>27,480,045</b>	24,148,848	14%
Total Assets 資產總額	<b>38,269,946</b>	33,198,754	15%

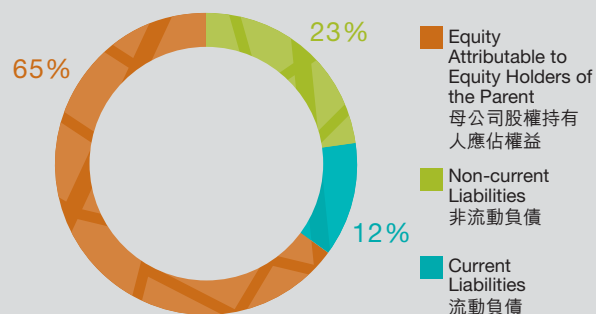
## EMPLOYMENT OF ASSETS 資產運用

### Assets Employed 資產運用

Total Assets HK\$38,270 Million  
資產總值港幣382億7千萬元

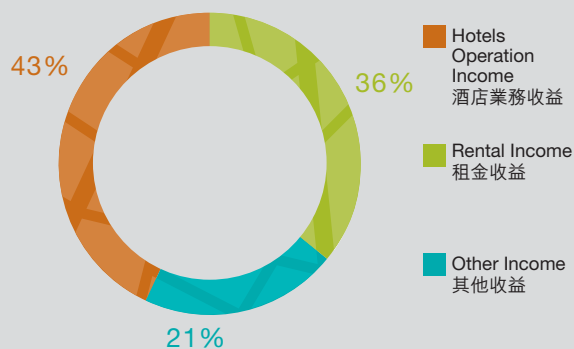


### Financed By 代表



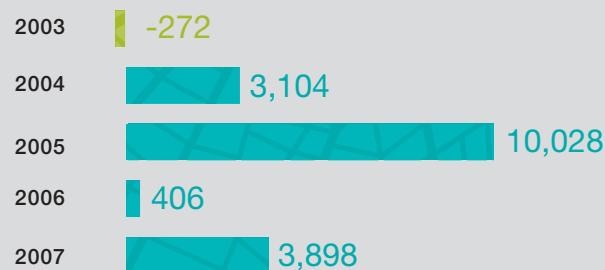
### Profit from Operations 經營溢利

HK\$1,271 Million  
港幣12億7千1百萬元



### Profit Attributable to the Equity Holders of the Parent 母公司股權持有人應佔溢利

Year 年份 HK Million Dollars 港幣百萬元



E N T E R T A I N M E N T



I N N O V A T I V E



H I G H  
T R A F F I C







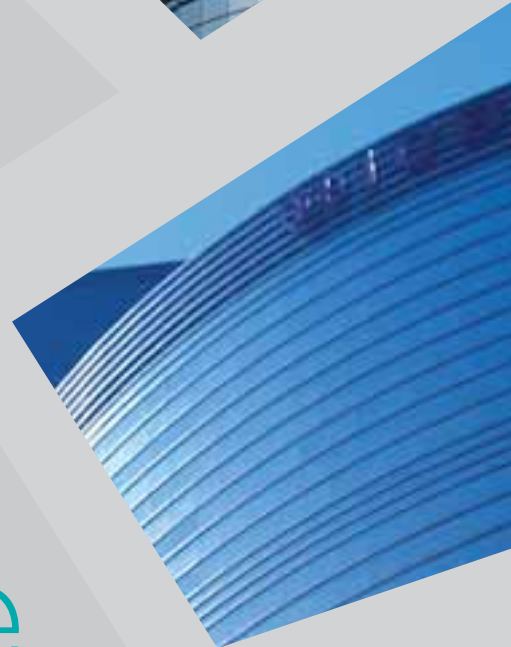
## Langham Place:

# The Place to Be Seen

Langham Place continues to prove the success of our three-in-one hotel, retail and office development model. Our efforts to reinforce the original, creative and trendy image of the mall - along with continuous fine-tuning of our tenant and trade mix - have attracted shoppers and increased foot traffic by 28% year on year. With two new major anchor tenants opening in late 2007, we expect to see solid growth in tenants' sales and corresponding rental income during 2008.

Hong Kong's commercial property market grew from strength to strength, leveraging strong demand from the financial and service sectors. At the end of 2007, Great Eagle enjoyed virtually full occupancy in all of the Group's office buildings in Hong Kong. Continued demand for premium office space, combined with shortage of new supply in key commercial districts, has resulted in surging rental rates during the year - delivering additional benefits to the bottom line.

## **Continued High Demand for** **Premium** **Office Space**





C O M M E R C I A L L A N D M A R K

L U X U R Y B R A N D

H I G H O C C U P A N C Y



S U P E R B S E R V I C E

I N T E R N A T I O N A L



H I G H - E N D L U





LUXURY HOTEL

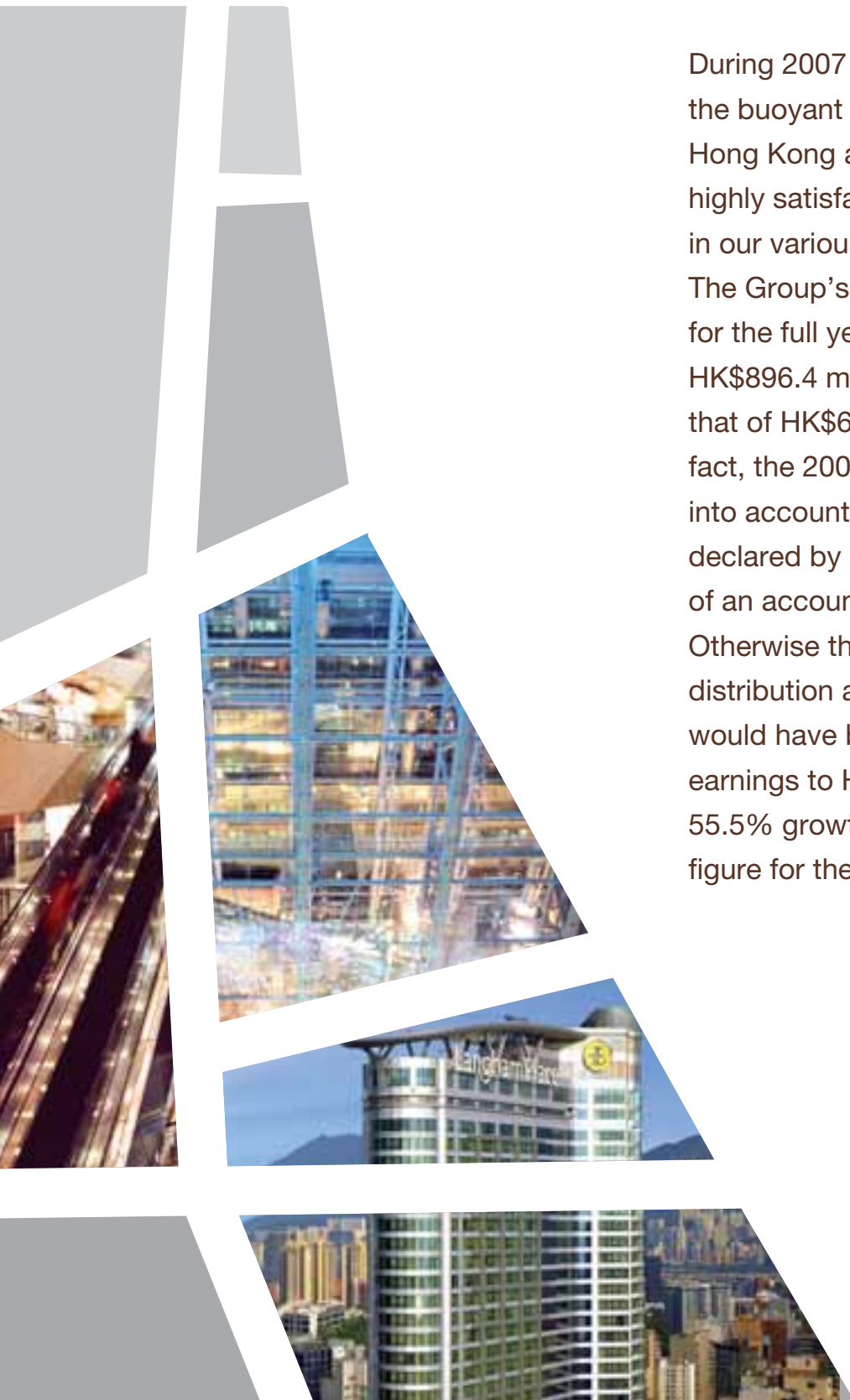
## Perfecting The Langham Brand of Luxury

We are reaping the rewards of our efforts to build the Langham brand of luxury hotels, which delivered highly satisfactory financial results in 2007. Based on our success, the Group is acquiring an additional five-star hotel in California, and has been contracted to manage several luxury hotels in China and Thailand. With sophisticated management and reservation systems infrastructure in place, the Langham brand is ready to leap to the next level of growth.



## Chairman's Statement

During 2007 we took advantage of the buoyant economic conditions in Hong Kong and the region to achieve highly satisfactory income growth in our various business segments. The Group's underlying core income for the full year of 2007 increased to HK\$896.4 million, 36.5% higher than that of HK\$657.0 million for 2006. In fact, the 2007 income has not taken into account the final distribution declared by Champion REIT because of an accounting timing technicality. Otherwise the HK\$124.9 million of distribution attributable to the Group would have brought our 2007 core earnings to HK\$1,021.3 million, a 55.5% growth over the comparative figure for the prior year.





Due to strong demand from the financial and service sectors, the office market in Hong Kong went from strength to strength. At the end of 2007 all our office buildings in Hong Kong were virtually full. Rent rates also surged during the year. The Langham Place Mall has essentially completed its major tenant mix realignment initiative as 2007 came to a close. With a consistent growth in footfall over the past two years, the Mall has attracted a large number of high-quality and popular retailers, which in turn have attracted more shoppers.

The Hotels Division delivered highly satisfactory financial results in 2007 with an overall EBITDA growth of 15% year on year, driven mainly by our hotels in Hong Kong and the southern hemisphere. In the mean time we have also made significant progress in our efforts to build the Langham brand of luxury hotels. We have contracted to buy one more five-star hotel in California and signed up several management contracts on luxury hotels in China and Thailand. Sophisticated management and reservation system infrastructures are now in place, ready to take the Langham brand to another level of growth.

Our 48.5% holding of units in Champion REIT started to contribute income in 2007 as our distribution waiver in favour of the independent unitholders was scaled back from 100% for 2006 to 55% in 2007. Benefiting at the same time from an exceptionally strong Central office leasing market, the REIT has reported an increase in Net Property Income on an annualized basis by 58.6% to HK\$680 million for 2007.

A conditional agreement was signed on 14 February 2008 for Great Eagle to inject the retail mall and office tower of Langham Place, representing a total gross floor area of approximately 1,300,000 sq. ft., into Champion REIT at an implied price of HK\$12.5 billion, representing a discount of 11.8% to the properties' appraised value of HK\$14.2 billion as of 30 November 2007. The consideration is expected to be satisfied with a combination of new placement units of Champion REIT, cash and assumption of debts. Completion of the transaction will be subject to successful fund-raising by Champion REIT on or before the end of June 2008. After the transaction is consummated, Champion will have diversified its asset and income bases from a pure Central financial market exposure with the prime retail asset and the trading and services office tenant base of Langham Place. In conjunction with the asset purchase, Champion REIT will also unwind the financial engineering features currently in its income structure. The enlarged and diversified asset base and the enhanced financial transparency should lead to higher investment ratings for Champion. That would be beneficial to Great Eagle, which intends to maintain its interest in Champion at the current substantial level of around 48%.

# Operations Review



## HONG KONG

### (a) Rental Income

	Gross Rental Income (HK\$ million)	
	2007	2006
Citibank Plaza*	–	146.4
Great Eagle Centre	82.2	63.6
Langham Place		
Office	122.9	65.0
Commercial	311.7	322.5
Eaton Houses	40.2	32.8
Convention Plaza Apartments	3.6	3.1
Others	3.4	3.3
<b>Total</b>	<b>564.0</b>	<b>636.7</b>

### (b) Occupancy and Rental Trend

	Occupancy at 31 December 2007		
	Office	Commercial	Residential
Great Eagle Centre	99.3%	100.0%	–
Langham Place	99.6%	96.6%	–
Eaton Houses	–	–	84.5%#
Convention Plaza Apartments	–	–	100.0%

\* Upon the public listing of the Champion Real Estate Investment Trust ("Champion REIT") on 24 May 2006, the Group's interests in Citibank Plaza were disposed of to Champion REIT. The rental income from Citibank Plaza for the year ended 31 December 2006 therefore covered the period from 1 January 2006 to 23 May 2006.

# Average occupancy rate for the 12 months ended 31 December 2007.





## Langham Place

During 2007, we continued to focus our promotional strategy and resources on several highly popular major events to reinforce the original, creative and trendy image of the Mall. The substantial overhaul and enhancement of its trade-mix have increased its attraction to shoppers. As a result, footfall at the Mall rose 28% year on year. The average sales per sq. ft. of the tenants also benefited from strong consumption growth in Hong Kong, posting a better than market 18.6% increase year on year. Occupancy at the Mall was 96.6% as of 31 December 2007, moderately higher than that of 95.1% at the previous year-end. However due to substantial downtime in between leases while the tenant-mix make-over was in progress, as well as higher interim vacancies while shops were merged to create anchor spaces, the rental income HK\$251.4 million for 2007 was almost flat from the HK\$259.2 million for 2006. As the tenant realignment exercise has been substantially completed in 2007 and with the benefit of the presence of two major anchor tenants which opened in late 2007, we expect solid growth in tenants' sales and hence our rental income for 2008.

We had aggressively leased up the Office tower in the first half of 2007 and it was virtually fully occupied at 99.6% as of 31 December 2007 as compared with 74.8% at the beginning of the year. Rental income increased significantly by 202% to HK\$100.5 million for 2007 from HK\$33.3 million for 2006 largely because of the increased occupancy and corresponding reduction in vacancy costs.

Langham Place Office Tower and Mall together contributed in 2007 approximately HK\$512.6 million and HK\$362.4 million respectively to the Group's revenue and net property income, before adjusting for intra-group transactions.

## Great Eagle Centre

Due to the lack of new supply in the Wanchai/Causeway Bay areas and robust demand from the trading and services segments, Great Eagle Centre was very well occupied throughout 2007. As at 31 December 2007, the occupancy of the office portion was 99.3%, which was 3.3% higher than that at year-end 2006. The retail area also remained 100% leased throughout. With very low vacancy rates, we were able to progressively raise rents as tenancies were rolled over through the year. The rental income of Great Eagle Centre as a result rose 28.8% from HK\$60.1 million for 2006 to HK\$77.4 million for 2007.

## Eaton House Serviced Apartments

All three serviced apartment buildings performed well during the year, benefiting from an active local corporate market. Completion of room refurbishments at the Blue Pool Road property in April 2007 helped to lift overall occupancy and average rates. Average occupancy for the three properties improved to 84.5% for 2007 as compared to 73.9% for the prior year. Rental income correspondingly increased to HK\$24.3 million from HK\$18.9 million, a 28.7% increase.

## Convention Plaza Apartments

As at 31 December 2007, the properties were 100% occupied. Due to the strength of the luxurious residential market, rents generally increased on reversion. Downtime in between leases was also reduced. Rental income of 2007 improved to HK\$2.9 million from that of HK\$2.3 million for 2006.

## Eaton Hotel Banquet & Convention Centre

All the four shops in the Centre were let as of 31 December 2007. Rental income of 2007 reached HK\$3.0 million (2006: HK\$2.6 million).

## Chairman's Statement

### UNITED STATES

The overall real estate market in California witnessed favorable growth in rental rates and occupancy in 2007. However, this improvement in market conditions was not reflected in the performance of our properties because of significant tenant turnovers coupled with negative rental reversion at 353 Sacramento Street, 150 Spear Street and 500 Ygnacio. 2700 Ygnacio on the other hand improved its contribution due to higher occupancy and lower tenant improvement costs. Total rental income from the California portfolio dropped to HK\$34.0 million in 2007 from HK\$53.8 million in 2006. However it is noteworthy that the rental income for the second half of 2007 amounted to HK\$28.8 million, a substantial increase over that of HK\$5.2 million for the first half of 2007. It is evident that the portfolio has seen its worst and should show positive income growth in the coming year.

The 150 Spear Street property was sold for HK\$1,111.8 million in December 2007, generating an after tax profit of HK\$223.1 million. The cash generated from the sale was reinvested by way of a like-kind exchange in January 2008 with the purchase of the Southern California landmark hotel previously known as the Ritz Carlton Huntington Hotel and Spa in Pasadena at a price equivalent to HK\$1,287 million. The hotel is now a Langham Hotel.

### 2 Champion REIT

As Citibank Plaza had been spun off to Champion REIT in May 2006, no direct rental income was derived from that property for 2007, whereas HK\$133.0 million of income was booked for the first 5 months of 2006. In lieu of direct property income, Champion contributed a total of HK\$210.8 million in income to the Group during

2007, notwithstanding the Group's waiver of 55% of its distribution entitlement for that year. Champion has reported a net property income of HK\$680 million for 2007, an increase of 58.6% over that for the prior year period on an annualized basis. It should be noted that the Group's share of the final distribution that has been declared by Champion for 2007 was not included in the income statement of Great Eagle for 2007 as distribution income from Champion is recognized upon distribution book closing date, which in this case occurred after the Group's financial year-end. If the HK\$124.9 million of distribution due from Champion were taken into account, the total income from Champion for 2007 would have been HK\$335.7 million.

### 3 Hotels

Our hotels portfolio showed a positive general improvement in overall results with total revenue of HK\$2.9 billion, up 13% over 2006. The hotels in Hong Kong have taken advantage of the good economic and market conditions as well as the large number of trade fairs to improving their share of business travellers. Overseas properties have also seen an improved overall performance.

The Hotels Division continues to seek out opportunities to strengthen its presence in key global markets on a number of fronts. It continued its expansion momentum in Asia-Pacific by entering into several management agreements in China and Thailand. Also, the acquisition of the 392-room Langham Huntington Hotel and Spa, Pasadena, California in January 2008, will assist in growing our brand awareness in North America.



## HONG KONG OPERATIONS

### Langham Hotel, Hong Kong

Improved results were recorded for the year as the hotel benefited from targeting the high-yield corporate market with a resultant increase in average room rates. However, its revenue was impacted by the room refurbishment program in the third quarter of the year. The second phase of the three year room-renovation programme in the coming year will provide a luxury quality product that will rank with the best in Hong Kong and continue to position the hotel at the high end of the 5-star hotel market.

For the year 2007, the hotel achieved an average occupancy of 87% (2006: 87%) and average room rate of HK\$1,516 (2006: HK\$1,318).

### Langham Place Hotel, Hong Kong

This modern 5-star hotel delivered an impressive performance for the year with total revenue continuing to achieve double-digit growth and revenue per available room increasing 19% year-on-year, driven mainly by higher room rates. Food and beverage business also posted strong results with a good mix of corporate events and catering functions, particularly wedding banquets. A new Japanese restaurant was opened in December 2007. The hotel will continue to focus on building its share of the retail and corporate FIT market. Its food and beverage operations will emphasis on capitalising on its position as a well-established venue for wedding functions.

For the year 2007, the hotel achieved an average occupancy of 89% (2006: 86%) and average room rate of HK\$1,297 (2006: HK\$1,119).

### Eaton Hotel, Hong Kong

The Eaton Hotel posted strong results for the year as it benefited from its phased room renovation and from targeting the retail market. Average room rates for 2007 rose 15% over the previous year. Its restaurant business

enjoyed sustained growth, especially in the catering department with a healthy mix of corporate meetings, conferences and wedding functions. The ongoing room refurbishment will place the hotel at the high end of the four star market with enhanced guest facilities. A new Japanese restaurant was opened in December.

For the year 2007, the hotel achieved an average occupancy of 90% (2006: 88%) and average room rate of HK\$857 (2006: HK\$744).

## INTERNATIONAL OPERATIONS

### Langham Hotel, London

The renovation of the signature restaurant and other food and beverage outlets was completed in 2007. The major extent of the works had limited the REVPAR growth for the year. The main phase of the renovation project for the guestrooms and public area will be undertaken over the coming year with the aim to positioning the hotel at the very top end of the luxury 5-star hotel market and reinforce its position as the Group's flagship hotel. However, while this is going on, we would expect the hotel's income performance in 2008 to be materially affected.

For the year 2007, the hotel achieved an average occupancy of 72% (2006: 75%) and average room rate of £188 (2006: £178).

### Langham Hotel, Boston

The hotel ended 2007 on a positive note supported by a number of citywide events, attracting business travellers, which lifted revenue per available room by 9% over the prior year. The last phase of the bedroom refurbishment programme, and the opening of the new spa facility which will be completed by May 2008, will provide an enhanced quality experience for guests.

For the year 2007, the hotel achieved an average occupancy of 74% (2006: 75%) and average room rate of US\$249 (2006: US\$226).

## Chairman's Statement

### Langham Hotel, Melbourne

2007 was a good year for the hotel with strong revenue growth, due to a combination of an increase of business travellers, major events and robust economic market conditions. The refurbishment of the ballrooms and function rooms in the first quarter of 2008 will confirm the hotel's position at the forefront of the Melbourne function scene.

For the year 2007, the hotel achieved an average occupancy of 82% (2006: 81%) and average room rate of A\$232 (2006: A\$214).

### Langham Hotel, Auckland

The hotel ended the year with a solid performance bolstered by a steady business flow from both corporate and leisure sectors. Food & beverage revenue benefited from strong catering business, particularly from meetings and conferences during the year with the newly decorated ballroom and function facilities. The new spa and upgraded health club facility are due to open in October 2008 and will further enhance the hotel's profile with a view to maintaining its position as the best hotel in New Zealand.

For the year 2007, the hotel achieved an average occupancy of 74% (2006: 72%) and average room rate of NZ\$162 (2006: NZ\$145).

### Delta Chelsea Hotel, Toronto

Hotel revenues grew at a moderate pace in 2007 with average rates flat to last year, and in line with its competitors, as the city faced another year of stagnant growth.

For the year 2007, the hotel achieved an average occupancy of 72% (2006: 71%) and average room rate of C\$137 (2006: C\$137).

## 4 Property Management

The revenue generated from property management activities for 2007 amounted to HK\$19.6 million, which was 4.2% higher than that of 2006. Engineering revenue for 2007 was HK\$35.5 million, an increase of 56.0% over 2006 reflecting higher leasing activities at the Group's office buildings and hence more renovation jobs. Fire services contracting services also contributed to the income growth.

## Financial Review

### 1 Debt

Our gross debts denominated in HK dollars amounted to HK\$6,144 million as of 31 December 2007, all of which was on floating rate basis. Our foreign currency gross debts as of 31 December 2007 amounted to the equivalent of HK\$3,241 million, of which the equivalent of HK\$686 million, or 21% of our foreign currency debts, was on fixed-rate basis. The consolidated Net Attributable Debt outstanding (net of cash and bank deposits) as of 31 December 2007 was HK\$5,610 million, a decrease of HK\$1,444 million from that of



HK\$7,054 million as of 31 December 2006. Equity Attributable to Shareholders, based on valuation of the Group's investment properties as of 31 December 2007 and the depreciated historical costs of the Group's hotel properties, amounted to HK\$25,081 million as of 31 December 2007. The resulting gearing ratio at 31 December 2007 was 22%.

## 2 Finance Cost

The net finance cost of HK\$421.6 million incurred in 2007 decreased by HK\$114.3 million from the HK\$535.9 million for the prior year as a result of the reduction in borrowings after receipt of the proceeds from the Champion REIT IPO.

Overall interest cover for 2007 was 3.54 times, as compared to that of 2.47 times for 2006.

## 3 Liquidity and Debt Maturity Profile

As of 31 December 2007, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$5,889 million. The majority of our loan facilities is medium-term in nature and is secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of outstanding debts as of 31 December 2007:

Within 1 year	32.1%
1 – 2 years	20.3%
3 – 5 years	47.6%
More than 5 years	–

## 4 Pledge of Assets

As at 31 December 2007, properties of the Group with a total carrying value of approximately HK\$27,210 million (2006: HK\$23,919 million) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and deposits of approximately HK\$323 million (2006: HK\$326 million) were mortgaged or pledged to secure credit facilities granted to the Group.

## 5 Commitments and Contingent Liabilities

As at 31 December 2007, the Group had authorised capital expenditures not provided for in the consolidated financial statements amounting to approximately HK\$166.7 million (2006: HK\$86 million) of which approximately HK\$166.1 million (2006: HK\$85 million) were contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 31 December 2007.

### Outlook

The Group is well positioned for further growth in the coming year. As the passing rents of our rental properties in Hong Kong are well below current market rents, there will be considerable room for positive rental reversion as leases are rolled over. Our rental income should therefore continue to see good increases. The office towers of Langham Place and Great Eagle Centre are both virtually fully let and are well positioned to withstand competition from the new office supplies in the Kowloon peripheral areas. The Langham Place Mall has been gaining popularity among shoppers, and the positive impact of two new anchor tenants has just started to show. There is considerable momentum in the sales performance of shop tenants. That should support good growth in rents at the Mall in 2008.

Our investment in Champion REIT will also be generating increasing income to the Group. Its underlying rental income should continue to go up quite significantly as the full impact of rental reversions in 2007 will be reflected in 2008. At the same time, the reduction of our distribution waiver in favour of the independent unitholders will give us a bigger share of Champion's growing income.

Our global hotel portfolio should show a steady overall performance in 2008. The Hong Kong business travel market appears to be quite solid and therefore should support some moderate growth in room rates. The ongoing major renovation at our London flagship will have a major negative impact on its performance in the coming year. We have built up the necessary infrastructures to support further growth in our hotel management and ownership portfolio. And we will prudently seek out opportunities in the region, with a focus on major cities in China, and in particular mixed-use development projects anchored by a luxury hotel with residential and/or commercial components.

There has been considerable volatility in the global financial markets in recent months. With the United States possibly sliding into recession in the coming quarters, the world economies will inevitably be affected to varying extents. We have positioned the Group to operate and compete effectively in this environment. We have a very sound balance sheet with very low gearing. The vast majority of our assets are high quality properties in prime urban locations. And we have a strong recurrent income base that has more upside for growth. We maintain our confidence on the long-term growth prospects of this region. With our strong liquidity position we will be looking out for strategic investments as and when market opportunities arise.

### Staff

The total number of employees in the Group was 4,044 as at 31 December 2007. 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, certain recreation activities and regular meetings of general staff with senior management were arranged during the year, with particular emphasis on performance management.



## Dividends

The Board has resolved to recommend to Shareholders at the forthcoming 2008 Annual General Meeting (the “2008 AGM”) the payment of a final dividend of HK35 cents per share for the year ended 31 December 2007 (2006: HK25 cents per share) to Shareholders whose names appear on the Register of Members on 23 May 2008. Together with the interim dividend of HK15 cents per share paid on 25 October 2007, the total dividend for the full year will be HK50 cents per share (2006: HK\$5.3 per share, including a final dividend of HK25 cents, an interim dividend of HK5 cents and a special interim dividend of HK\$5), amounting to not less than HK\$302,333,000 (2006: HK\$3,184,535,000).

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 2008 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 2008 AGM. Dividend warrants and share certificates in respect of the proposed final dividend are expected to be despatched to Shareholders on or about 26 June 2008.

## Closure of Transfer Books

The Register of Members of the Company will be closed from Thursday, 15 May 2008 to Friday, 23 May 2008, both days inclusive, during which period no share transfers will be effected.

For those Shareholders who are not already on the Register of Members, in order to qualify for the final dividend, all share certificates accompanied by the duly completed transfers must be lodged with the Hong Kong Branch Registrars of the Company, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 May 2008.

## Annual General Meeting

The 2008 AGM of the Company will be held on Friday, 23 May 2008 and the notice of 2008 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company and despatched to shareholders on or about 28 April 2008.

Finally, I would like to take this opportunity to address my sincere gratitude to my fellow Directors for their guidance and to all staff members for their dedication and hard-work contributed to the Group in the past year.

**LO Ka Shui**

*Chairman*

*and Managing Director*

Hong Kong, 2 April 2008

# Biographical Details of Directors and Senior Management

## DIRECTORS

### Dr. LO Ka Shui

aged 61, has been a member of the Board since 1980 and is now Chairman and Managing Director of the Group. He is the Non-executive Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited, 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 and a Board Member of the Airport Authority. Dr. Lo is a son of Madam LO TO Lee Kwan, a Director. He graduated with Bachelor of Science degree from McGill University and a M.D. from Cornell University. He was certified in cardiology. He has more than 28 years' experience in property and hotel development and investment both in Hong Kong and overseas.

### Mr. LO Kai Shui

aged 48, was appointed to the Board in 1984 and is now Deputy Managing Director of the Group. Mr. LO is a son of Madam LO TO Lee Kwan, a Director. He graduated from Columbia University with a Bachelor's Degree in Engineering. He has more than 25 years' experience in property development and investment, and building construction.

### Madam LO TO Lee Kwan

aged 88, has been a Director of the Group since 1963. She is the mother of the following Directors, Dr. LO Ka Shui (the Chairman and Managing Director), Mr. LO Kai Shui (Deputy Managing Director), 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

aged 59, was appointed a Director in 1994. He is the Chairman of The Hongkong and Shanghai Banking Corporation Limited and an Executive Director of HSBC Holdings plc. He graduated from The Chinese University of Hong Kong with B.S.Sc. and from The University of Auckland with a Master's Degree in Philosophy (Economics).

### \* Professor WONG Yue Chim, Richard

aged 55, was appointed a Director in 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.

### \* Mrs. LEE Pui Ling, Angelina

aged 59, was appointed a Director in 2002. She is a practising solicitor in Hong Kong and a partner of the firm of 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. LO Hong Sui, Antony**

aged 66, was appointed a Director of the Group in 1967. He has been actively involved in property development, construction and investment for more than 39 years. Mr. LO is a son of Madam LO TO Lee Kwan, a Director. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce.

### **Madam LAW Wai Duen**

aged 71, 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 43 years. She is a daughter of Madam LO TO Lee Kwan, a Director.

### **Mr. LO Hong Sui, Vincent**

aged 60, has been a Director of the Group since 1970. 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

the Chairman and Chief Executive Officer of Shui On Land Limited – Shui On's flagship property company in the Chinese Mainland established in 2004, and the Chairman of China Central Properties Limited. He is also a Non-executive Director of Hang Seng Bank Limited and an Independent Non-executive Director of China Telecom Corporation Limited. Mr. LO is a son of Madam LO TO Lee Kwan, a Director.

### **Dr. LO Ying Sui, Archie**

aged 55, has been a Director since 1993. Dr. LO is a son of Madam LO TO Lee Kwan, a Director, and is a practising cardiologist.

### **Mr. KAN Tak Kwong**

aged 56, 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 societies including the Hong Kong Institute of Certified Public Accountants. Mr. KAN has more than 32 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

\* *Independent Non-executive Directors*

*Note: As at 31 December 2007, KSL Management Limited ("KSL Management"), Surewit Finance Limited ("Surewit"), Adscan Holdings Limited ("Adscan") have interests in the share capital of the Company which were disclosed to the Company and The Stock Exchange of Hong Kong Limited under the provisions of Part XV of the Securities and Futures Ordinance of Hong Kong. Dr. LO Ka Shui is a director of KSL Management and Surewit. Dr. LO Ying Sui, Archie is a Director of Adscan.*

## Biographical Details of Directors and Senior Management

### SENIOR MANAGEMENT

#### Mr. TONG Chun Wan

aged 60, joined the Group in 1983 and is now an Assistant Director. He is also the Managing Director of The Great Eagle Development and Project Management Limited. 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. Mr. TONG has over 29 years' experience in property development and project management in Hong Kong, Mainland China and overseas.

#### Mr. LEE Ching Ming, Adrian

aged 56, joined the Group in 1994 as an Assistant Director. He is responsible for finance, investment and corporate communications. As Director and General Manager of The Great Eagle Estate Agents Limited, he is also responsible for the marketing, leasing and sales of the Group's properties. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree. Before joining the Group, Mr. LEE had worked in a major international bank for over 20 years.

#### Mr. MOK Siu Bun, Terry

aged 54, joined the Group in 1981 and is now the Group's Financial Controller. He has a Master's Degree in Business Administration and has over 26 years' experience in accounting and finance in the real estate industry.

#### Mr. LEUNG Tat Kai, Henry

aged 54, joined the Group in 2002 and is now a Director and the General Manager of The Great Eagle Properties Management Company, Limited. 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.

#### Mr. SO Yiu Wah, Eric

aged 64, rejoined the Group in 2002 as Hotel Executive Vice President. He has extensive experience of international hotel management over 36 years.

#### Mr. Nigel ROBERTS

aged 55, joined the Group in 1999 and is Senior Vice President of The Langham Hotels and Resorts. He previously held General Manager and Corporate positions around the world with Cunard, Mandarin Oriental, and Starwood for over 29 years. He is responsible for ensuring that all Langham Hotels in the Langham brand meet our exacting standards in both quality and service.

#### Mr. Brett BUTCHER

aged 48, joined the Group in 2002 and is now Senior Vice President of Sales, Marketing and Brands for the Group's hotels division. He is also responsible for the Operation of all Langham Place Hotels as Senior Vice President Operations for Langham Place Hotels and Resorts. 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 28 years and has covered assignments in Asia, the Pacific and North America.



### **Mr. Helmut KNIPP**

aged 65, joined the Group in June 2006 and is now Senior Vice President – Development of the Group's hotels division. 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 31 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. CHEUNG Tai Ming, Ringo**

aged 46, joined the Group in 1986 and is now the Managing Director of Toptech Co. Limited, the Group's wholly-owned subsidiary, which is involved in the trading of building and architectural products in Hong Kong, Macau and Mainland China, an area in which Mr. CHEUNG has extensive experience.

### **Mr. HO Hon Ching, Barry**

aged 45, joined the Group in 2004 as the Group Chief Internal Auditor. 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. TSANG Yiu Wing, Peter**

aged 57, joined the Group in 1994 as Company Secretary. He is responsible for the Group's company secretarial matters and also responsible for personnel, office administration and insurance matters in the Group's head office. Mr. TSANG is a Fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. He has 27 years' experience in company secretarial practice.

### **Mr. WONG Chi Wai, Chris**

aged 39, joined the Group in March 2006 as Head of Legal. 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. He has over 11 years' experience in corporate finance and general corporate work gained in different international law firms.

### **Mr. CHU Shik Pui**

aged 46, joined the Group in 1989. He is currently the Senior Tax and Investment Manager primarily responsible for the Group's taxation and investment matters. 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. Mr CHU was previously the Group's Assistant Financial Controller and has 23 years' experience in taxation, finance and accounting.

# Corporate Governance Report

The Company is committed to fulfilling its responsibilities to shareholders by ensuring a high standard of corporate governance practices. This report describes its corporate governance practices and explains the applications of the principles of the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## **CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all provisions of the CG Code throughout the year ended 31 December 2007, 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**

#### **Chairman and Chief Executive Officer (“CEO”)**

This CG Code provision requires that the roles of chairman and CEO should be separate and should not be performed by the same individual.

Dr. Lo Ka Shui was Chairman of the Board and Managing Director of the Company and assumed the function of CEO. This is a deviation from Code Provision A.2.1. The Board considered this arrangement appropriate as it can preserve the consistent leadership of the Company and allows for efficient discharge of the executive functions of the CEO. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals including three Independent Non-executive Directors.

### **CG Code Provision A.4.1 and A.4.2**

#### **Appointments, Re-Election and Removal**

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

The non-executive directors have no fixed term of office. The Bye-laws of the Company requires that one-third of the directors (other than the executive chairman and managing directors) should retire by rotation. The Company considers that its corporate governance measures in this respect 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 directors 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, the executive chairman and managing directors are by statute not required to retire by rotation. After due consideration, the Board considers that it is not appropriate to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 simply to require the Chairman and Managing Directors of the Company to retire by rotation.



## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the financial year ended 31 December 2007.

## **BOARD OF DIRECTORS**

The Board comprises 11 Directors, of whom 3 are Independent Non-executive Directors. The participation of Independent Non-executive Directors in the Board brings independent judgement on issues relating 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.

The Board members for the year ended 31 December 2007 were:

Dr. LO Ka Shui, *Chairman and Managing Director*

Mr. LO Kai Shui, *Deputy Managing Director*

Madam LO TO Lee Kwan

Mr. CHENG Hoi Chuen, Vincent\*

Professor WONG Yue Chim, Richard\*

Mrs. LEE Pui Ling, Angelina\*

Mr. LO Hong Sui, Antony

Madam LAW Wai Duen

Mr. LO Hong Sui, Vincent

Dr. LO Ying Sui, Archie

Mr. KAN Tak Kwong

\* *Independent Non-executive Directors*

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

### BOARD OF DIRECTORS (continued)

The Board had four meetings held on 11 April 2007, 10 July 2007, 18 September 2007 and 6 December 2007 during the financial year ended 31 December 2007 and the attendance record, on a named basis, of all the four Board meetings is set out below:

#### Attendance of individual Directors at Board meetings in 2007

Number of meetings	4	
Lo Ka Shui	4/4	100%
Lo Kai Shui	3/4	75%
Lo To Lee Kwan	0/4	0%
Cheng Hoi Chuen, Vincent *	3/4	75%
Wong Yue Chim, Richard *	2/4	50%
Lee Pui Ling, Angelina *	3/4	75%
Lo Hong Sui, Antony	4/4	100%
Law Wai Duen	4/4	100%
Lo Hong Sui, Vincent	2/4	50%
Lo Ying Sui, Archie	2/4	50%
Kan Tak Kwong	4/4	100%

\* *Independent Non-executive Directors*

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<b>Average attendance rate</b>	<b>70.45%</b>
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The relationships (including financial, business, family or other material or relevant relationships) if any, among members of the Board are disclosed in the 2007 Annual Report.



## REMUNERATION OF DIRECTORS

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 mandatory provisions set out in the CG Code, with additional functions and duties covering the Company's employees and share option scheme(s).

The terms of reference include the specific duties as set out in the CG Code provision B.1.3 as well as the followings:

- (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 now comprises all of the 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 2007, a meeting of the Remuneration Committee was held on 4 January 2007, when the chairman of the Remuneration Committee and the other two members had attended the meeting.

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 Company'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 OF DIRECTORS

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 now comprises all of the 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.

As there was no change in the Board composition and no new Director was appointed during the financial year ended 31 December 2007, no meeting of the Nomination Committee was held in the year.

### AUDITORS' REMUNERATION

The remuneration in respect of the services provided by the Company's auditors, Messrs. Deloitte Touche Tohmatsu, is analysed as follows:

	<b>31 December 2007 HK\$'000</b>	31 December 2006 HK\$'000
<b>Services rendered</b>		
Audit services	<b>5,660</b>	5,975
Non-audit services		
Taxation services	<b>741</b>	550
Other services	<b>–</b>	828
	<b>6,401</b>	7,353





## AUDIT COMMITTEE

The Board is responsible for preparing the financial statements and the external auditors have a primary responsibility for auditing and reporting on the financial statements.

The Company established an Audit Committee in 1999 and adopted the terms of reference of the Audit Committee based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants.

The principal duties of the Audit Committee are as follows:

- (a) to review the half-year and annual financial statements of the Company and provide comments and advices thereon to the Board;
- (b) to review the Company's 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
- (c) to consider the appointment and resignation of the external auditor and the audit fee, and to review the external auditor's management letter and management's response to the points raised.

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

During the financial year ended 31 December 2007, two meetings of the Audit Committee were held on 11 April 2007 and 18 September 2007 for discussion of the 2006 annual results and 2007 interim results respectively. The chairman of the Audit Committee (the "Chairman") and Mr. Wong Yue Chim, Richard had attended the meeting held on 11 April 2007 and the Chairman and other two members had attended the meeting held on 18 September 2007.

The financial statements of the Company for the year ended 31 December 2007 have been reviewed by the Audit Committee.

### 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 2007.

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 2007, 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 2007.

# 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 2007.

## 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 are set out in the consolidated income statement. Dividends paid and proposed for the year are set out in note 13 to the consolidated financial statements.

## RESERVES

Movements during the year in the reserves of the Group 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 past five financial years is set out in Appendix II.

## FIXED ASSETS

The movements in the fixed assets of the Group during the year are set out in notes 15 and 17 to the consolidated financial statements.

Details of the major properties of the Group at 31 December 2007 are set out in Appendix I.

## SHARE CAPITAL

The movements in share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

### **SHARE OPTION SCHEME**

Details of the Company's Share Option Scheme are set out in this Report from pages 36 to 37 and note 30 to the consolidated financial statements.

### **DIRECTORS**

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

Dr. LO Ka Shui  
Mr. LO Kai Shui  
Madam LO TO Lee Kwan  
Mr. CHENG Hoi Chuen, Vincent\*  
Professor WONG Yue Chim, Richard\*  
Mrs. LEE Pui Ling, Angelina\*  
Mr. LO Hong Sui, Antony  
Madam LAW Wai Duen  
Mr. LO Hong Sui, Vincent  
Dr. LO Ying Sui, Archie  
Mr. KAN Tak Kwong

\* *Independent Non-executive Directors*

In accordance with the Company's Bye-Laws, Mr. LO Kai Shui, Mr. CHENG Hoi Chuen, Vincent, Madam LAW Wai Duen and Mr. KAN Tak Kwong shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2007, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong ("SFO") were as follows:

### The Company

Name of Director	Number of shares (Long Positions)				Total	Percentage of issued share capital	Outstanding share options
	Personal interests	Family interests	Corporate interests	Other interests			
LO Ka Shui	7,622,002	–	28,931,664 Note (6)	238,228,966 Note (1)	274,782,632	45.45	900,000
LO Kai Shui	–	–	513,113 Note (7)	197,503,146 Note (1)	198,016,259	32.75	400,000
LO TO Lee Kwan	944,851	–	4,342,287 Note (8)	–	5,287,138	0.87	–
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–
LO Hong Sui, Antony	2,942	–	–	–	2,942	–	250,000
LAW Wai Duen	242,596	–	–	197,503,146 Note (1)	197,745,742	32.71	150,000
LO Hong Sui, Vincent	293	–	–	–	293	–	–
LO Ying Sui, Archie	3,855,046	3,700	33,269,396 Note (3)	197,503,146 Note (1)	234,631,288	38.81	–
KAN Tak Kwong	848,070	–	–	–	848,070	0.14	420,000

## Report of the Directors

### DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ASSOCIATED CORPORATIONS (continued)

During the year ended 31 December 2007, movements of the share options granted to Directors (some are also substantial shareholders) under the Company's share option scheme as required to be disclosed according to Rule 17.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

Name of Director	*Year of grant of options	Number of shares					Options lapsed on 28.1.2007	Outstanding options at 31.12.2007
		Outstanding options at 1.1.2007	Options granted	Options exercised	Options cancelled			
LO Ka Shui	2005	300,000	–	–	–	–	300,000	
	2007	–	600,000	–	–	–	600,000	
		300,000	600,000	–	–	–	900,000	
LO Kai Shui	2005	200,000	–	–	–	–	200,000	
	2007	–	200,000	–	–	–	200,000	
		200,000	200,000	–	–	–	400,000	
LO Hong Sui, Antony	2005	50,000	–	–	–	–	50,000	
	2007	–	200,000	–	–	–	200,000	
		50,000	200,000	–	–	–	250,000	
LAW Wai Duen	2005	50,000	–	–	–	–	50,000	
	2007	–	100,000	–	–	–	100,000	
		50,000	100,000	–	–	–	150,000	
KAN Tak Kwong	2005	120,000	–	–	–	–	120,000	
	2007	–	300,000	–	–	–	300,000	
		120,000	300,000	–	–	–	420,000	
Total		720,000	1,400,000	–	–	–	2,120,000	

## DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ASSOCIATED CORPORATIONS (continued)

Notes:

- (a) Options were granted under the Great Eagle Holdings Limited Share Option Scheme adopted on 10 June 1999.
- (b) Consideration paid for each grant of option was HK\$1.00.
- (c) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$28.5.
- \* Further required particulars of share options granted in each year are set out in note 30 to the consolidated financial statements under the heading of Share Option.

Other than as disclosed above, none of the Directors or their associates had any interest or short position in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO).

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 31 December 2007, the following Shareholders, not being Directors of the Company, were recorded in the register of interests and short positions in the shares or underlying shares kept 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 Shareholder	Number of shares (Long Positions)	Percentage of issued share capital	Notes
KSL Management Limited	40,675,820	6.73	(2)
Surewit Finance Limited	40,675,820	6.73	(2)
Adscan Holdings Limited	33,269,396	5.50	(3)
HSBC International Trustee Limited	237,600,575	39.30	(4)
Powermax Agents Limited	143,082,768	23.66	(5)

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY** (continued)

Notes:

- (1) The 197,503,146 shares of Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie and 197,503,146 shares of the 274,782,632 shares of Dr. LO Ka Shui were the same parcel of shares.
- (2) 40,675,820 shares of Surewit Finance Limited, a direct wholly-owned subsidiary of KSL Management Limited ("KSLM"), and KSLM were the same parcel of shares. 40,675,820 shares of KSLM were duplicated in the interests of Dr. LO Ka Shui. The said shares were held for a discretionary trust of which Dr. LO Ka Shui was the founder.
- (3) These 33,269,396 shares held by Adscan Holdings Limited were duplicated in the interests of Dr. LO Ying Sui, Archie who had entire interest in said company.
- (4) 197,503,146 shares of the 237,600,575 shares were the same parcel of shares as described in Note (1). HSBC International Trustee Limited ("HKIT"), as trustee of a discretionary trust in which the persons mentioned in Note (1) were the beneficiaries, were interested in said 197,503,146 shares. 40,675,820 shares of the 237,600,574 shares were the same parcel of shares as described in Note (2). The 2 companies mentioned in Note (2) were the wholly-owned subsidiaries of HKIT. The remaining shares were held by other trusts for which HKIT acted as the trustee.
- (5) These 143,082,768 shares held by Powermax Agents Limited were duplicated in the interests of HKIT. This company was a direct wholly-owned subsidiary of HKIT.
- (6) These 28,931,664 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (7) These 513,113 shares were held by companies in which Mr. LO Kai Shui had entire interests.
- (8) These 4,342,287 shares were held by a company in which Madam LO TO Lee Kwan had entire interest.

Other than as disclosed above, no notifications were received by the Company from any person (other than Directors of the Company) of having an interest or short position in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO).

### **DIRECTORS' INTEREST IN CONTRACTS**

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 had complied with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year, with exception of a few deviations. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in pages 26 to 32 of the Annual Report.



## **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

Except for the Great Eagle Holdings Limited Share Option Scheme established by the Company, 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.

## **SERVICE CONTRACTS**

There is no service contract with a Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensations).

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no statutory restriction against such rights under the laws in Bermuda.

## **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 total sales and purchases respectively.

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended 31 December 2007.

## **DONATIONS**

Donations made by the Group for charitable and other purposes amounted to HK\$531,475.

## **AUDITORS**

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors 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, 2 April 2008

# Independent Auditor's Report



## 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 42 to 110, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement 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 2007 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

2 April 2008

# Consolidated Income Statement

For the year ended 31 December 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
Revenue	6	4,182,039	3,772,253
Cost of goods and services		(2,523,805)	(2,353,253)
Operating profit before depreciation and amortisation		1,658,234	1,419,000
Depreciation and amortisation		(317,903)	(274,080)
Operating profit		1,340,331	1,144,920
Fair value changes on investment properties		4,142,866	342,167
Fair value changes on derivative financial instruments		(1,438)	37,206
Fair value changes on financial assets carried at fair value through profit or loss		29,816	–
Other income	8	182,026	208,146
Administrative expenses		(167,249)	(156,760)
Other expenses		(84,494)	(9,432)
Loss on disposal of property investment subsidiaries		–	(264,620)
Finance costs	9	(568,371)	(713,884)
Share of results of associates		17,779	14,455
Profit before tax		4,891,266	602,198
Income taxes	10	(992,988)	(194,674)
Profit for the year	11	3,898,278	407,524
Attributable to:			
Equity holders of the parent		3,898,273	405,506
Minority interests		5	2,018
		3,898,278	407,524
Dividends	13		
Interim, paid		90,693	3,034,267
Final, proposed		211,641	150,216
Basic earnings per share	14	HK\$6.47	HK\$0.68
Diluted earnings per share	14	HK\$6.46	HK\$0.68

# Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	15	8,119,231	7,686,901
Prepaid lease payments	16	1,751,184	1,795,955
Investment properties	17	17,609,630	14,665,992
Interests in associates	18	38,926	29,275
Available for sale investments	19	6,263,705	5,185,176
Amounts due from associates	20	12,077	12,377
Pledged bank deposits	21	323,226	326,465
Restricted cash	21	567,599	–
		<b>34,685,578</b>	<b>29,702,141</b>
<b>Current assets</b>			
Inventories	22	111,480	86,125
Debtors, deposits and prepayments	23	507,552	441,883
Prepaid lease payments	16	44,771	44,771
Financial assets carried at fair value through profit or loss	24	35,856	–
Bank balances and cash	21	2,884,709	2,923,834
		<b>3,584,368</b>	<b>3,496,613</b>
<b>Current liabilities</b>			
Creditors, deposits and accruals	25	1,261,706	1,237,867
Derivative financial instruments	26	9,714	8,234
Provision for taxation		137,184	86,609
Borrowings due within one year	27	3,020,131	538,682
Unsecured bank overdrafts	21	1,231	4,007
		<b>4,429,966</b>	<b>1,875,399</b>
Net current (liabilities) assets		<b>(845,598)</b>	<b>1,621,214</b>
Total assets less current liabilities		<b>33,839,980</b>	<b>31,323,355</b>

## CONSOLIDATED BALANCE SHEET

	NOTES	2007 HK\$'000	2006 HK\$'000
<b>Non-current liabilities</b>			
Borrowings due after one year	27	6,375,379	9,768,534
Deferred taxation	28	2,383,223	1,505,886
		<b>8,758,602</b>	<b>11,274,420</b>
<b>NET ASSETS</b>			
		<b>25,081,378</b>	<b>20,048,935</b>
<b>Equity</b>			
Share capital	29	302,315	300,427
Share premium and reserves		24,779,063	19,748,220
		<b>25,081,378</b>	<b>20,048,647</b>
Equity attributable to equity holders of the parent			
Minority interests		–	288
		<b>25,081,378</b>	<b>20,048,935</b>
<b>TOTAL EQUITY</b>			

The consolidated financial statements on pages 42 to 110 were approved and authorised for issue by the Board of Directors on 2 April 2008 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 2007

	Attributable to equity holders of the parent										
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (Note)	Exchange translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006	297,401	3,253,192	6,422	1,650	402,540	51,525	10,080	20,316,281	24,339,091	1,914,902	26,253,993
Deficit on revaluation of investments	-	-	(1,771,236)	-	-	-	-	(1,771,236)	-	-	(1,771,236)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	112,125	-	-	112,125	-	112,125
Net income and expense recognised directly in equity	-	-	(1,771,236)	-	-	112,125	-	-	(1,659,111)	-	(1,659,111)
Profit for the year	-	-	-	-	-	-	-	405,506	405,506	2,018	407,524
Total recognised income and expenses for the year	-	-	(1,771,236)	-	-	112,125	-	405,506	(1,253,605)	2,018	(1,251,587)
Shares issued at premium	3,026	115,036	-	-	-	-	(6,710)	-	111,352	-	111,352
Share issue expenses	-	(86)	-	-	-	-	-	-	(86)	-	(86)
Recognition of equity-settled share based payments	-	-	-	-	-	-	5,348	-	5,348	-	5,348
Dividend paid	-	-	-	-	-	-	-	(3,153,453)	(3,153,453)	-	(3,153,453)
Eliminated on disposal of property investment subsidiaries	-	-	-	-	-	-	-	-	-	(2,067,282)	(2,067,282)
Contributions from minority shareholders	-	-	-	-	-	-	-	-	-	152,733	152,733
Distribution to minority shareholders	-	-	-	-	-	-	-	-	-	(2,083)	(2,083)
At 31 December 2006	300,427	3,368,142	(1,764,814)	1,650	402,540	163,650	8,718	17,568,334	20,048,647	288	20,048,935
Surplus on revaluation of investments	-	-	1,102,596	-	-	-	-	-	1,102,596	-	1,102,596
Exchange differences arising on translation of foreign operations	-	-	-	-	-	175,449	-	-	175,449	-	175,449
Total income recognised directly in equity	-	-	1,102,596	-	-	175,449	-	-	1,278,045	-	1,278,045
Transfer to profit or loss upon disposal of available for sale investments	-	-	(15,605)	-	-	-	-	-	(15,605)	-	(15,605)
Profit for the year	-	-	-	-	-	-	-	3,898,273	3,898,273	5	3,898,278
Total recognised income and expenses for the year	-	-	1,086,991	-	-	175,449	-	3,898,273	5,160,713	5	5,160,718
Shares issued at premium	1,888	102,246	-	-	-	-	(2,735)	-	101,399	-	101,399
Share issue expenses	-	(77)	-	-	-	-	-	-	(77)	-	(77)
Recognition of equity-settled share based payments	-	-	-	-	-	-	11,657	-	11,657	-	11,657
Dividend paid	-	-	-	-	-	-	-	(240,961)	(240,961)	-	(240,961)
Contributions from minority shareholders	-	-	-	-	-	-	-	-	-	3	3
Distribution to minority shareholders	-	-	-	-	-	-	-	-	-	(296)	(296)
At 31 December 2007	302,315	3,470,311	(677,823)	1,650	402,540	339,099	17,640	21,225,646	25,081,378	-	25,081,378

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 Cash Flow Statement

For the year ended 31 December 2007

	2007 HK\$'000	2006 HK\$'000
<b>Operating activities</b>		
Profit before tax	4,891,266	602,198
Adjustments for:		
Share of results of associates	(17,779)	(14,455)
Impairment loss recognised on interest in an associate	1,505	–
Loss on disposal of property investment subsidiaries	–	264,620
Gain on disposal of listed available for sale investments	(15,605)	(7,691)
Gain on partial disposal of an associate	–	(387)
Gain on disposal of property, plant and equipment	(279)	(56)
Management service income from Champion Real Estate Investment Trust (“Champion REIT”)	(81,654)	–
Interest income	(146,750)	(177,995)
Interest expense	554,854	696,984
Dividend received from an unlisted investment	–	(1,118)
Dividends received from listed available for sale investments	(85,447)	(809)
Allowance for doubtful debts written back, net	(5,842)	(745)
Depreciation on other property, plant and equipment	106,989	80,921
Depreciation on hotel buildings	166,143	148,388
Amortisation on prepaid lease payments	44,771	44,771
Recognition of share based payments	11,657	5,348
Fair value changes on investment properties	(4,142,866)	(342,167)
Fair value changes on derivative financial instruments	1,438	(37,206)
Fair value changes on financial assets carried at fair value through profit or loss	(4,472)	–
Fitting-out works of investment properties written off	5,940	–
Fitting-out works of hotel buildings written off	57,230	8,227
Operating cash flows before movements in working capital	1,341,099	1,268,828
Increase in inventories	(25,355)	(10,816)
Increase in debtors, deposits and prepayments	(7,077)	(69,200)
Increase in creditors, deposits and accruals	125,256	7,831
<b>Cash generated from operations</b>	<b>1,433,923</b>	<b>1,196,643</b>
Hong Kong Profits Tax paid	(51,483)	(36,046)
Other jurisdictions tax paid	(34,401)	(33,467)
Hong Kong Profits Tax refunded	536	1,129
Other jurisdictions tax refunded	3,966	6,669
<b>Net cash from operating activities</b>	<b>1,352,541</b>	<b>1,134,928</b>



	2007 HK\$'000	2006 HK\$'000
<b>Investing activities</b>		
Interest received	144,270	176,336
Dividend received from an unlisted investment	–	1,118
Dividends received from listed available for sale investments	85,447	809
Dividends received from an associate	6,623	3,780
Additions of investment properties	(90,209)	(190,428)
Additions of property, plant and equipment	(362,712)	(259,938)
Additions of available for sale investments	(19,535)	(71,550)
Proceeds on disposal of listed available for sale investments	43,602	–
Proceeds on disposal of investment properties	1,111,828	–
Proceeds on disposal of non-current assets classified as held for sale	–	253,800
Proceeds on disposal of property investment subsidiaries	–	10,127,891
Proceeds on partial disposal of an associate	–	547
Proceeds on disposal of property, plant and equipment	5,279	60
Decrease in amounts due from associates	300	265,967
Decrease in pledged bank deposits	3,239	162,881
Increase in restricted cash	(567,599)	–
<b>Net cash from investing activities</b>	<b>360,533</b>	<b>10,471,273</b>
<b>Financing activities</b>		
Interest paid	(564,024)	(732,839)
Issue of shares	7,514	27,197
Share issue expenses	(77)	(86)
Repayments of bank loans	(1,124,740)	(5,809,391)
Dividends paid to shareholders	(147,076)	(3,069,298)
Dividend paid to minority shareholders	(296)	(2,083)
Contribution from minority shareholders	3	152,733
<b>Net cash used in financing activities</b>	<b>(1,828,696)</b>	<b>(9,433,767)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(115,622)</b>	<b>2,172,434</b>
<b>Effect of foreign exchange rates changes</b>	<b>79,273</b>	<b>32,009</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,919,827</b>	<b>715,384</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,883,478</b>	<b>2,919,827</b>
<b>Analysis of the balance of cash and cash equivalents</b>		
Being:		
Bank balances and cash	2,884,709	2,923,834
Bank overdrafts	(1,231)	(4,007)
	<b>2,883,478</b>	<b>2,919,827</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

## 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 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 operation.

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

## 2. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretation (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosure
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 “Financial Instruments: Disclosure and Presentation” has been removed and the relevant comparative information based on the requirements of HKFRS 7 has been presented for the first time in the current year.

## 2. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidation and Separate Financial Statements <sup>2</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>3</sup>
HK(IFRIC)-Int 12	Service Concession Arrangements <sup>4</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>5</sup>
HK(IFRIC)-Int 14	HKAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

The Directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position 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 of Hong Kong Limited 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Basis of consolidation (continued)

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.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### 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.

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 balance sheet 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 accounts receivable for goods 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 income statement on a straight-line basis over the terms of the relevant leases.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue recognition (continued)

Interest income from a financial asset 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 assets to that assets net carrying amount.

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

Service income is recognised when services are provided.

Sales of goods are recognised when goods are delivered and title is passed.

Agency commission income is recognised when services are rendered.

Joining fee is recognised as revenue when a new member signs up.

Membership fee is recognised as revenue on a straight-line basis over the membership period. Other service income is recognised when services are rendered. Membership fee and other service fee received in advance are recorded as deferred income.

#### 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.

Leasehold land and building 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.

Depreciation is provided to write off the cost of items of property, plant and equipment 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:

Leasehold land	Over the shorter of the term of the lease, or 50 years
Owner occupied buildings 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

#### Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured 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 or no future economic benefits are expected from its disposals. 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.

#### 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*

Rentals payable under operating leases are charged to profit or loss 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Foreign currencies (continued)**

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 except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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 balance sheet date, 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 as a separate component of 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**

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

#### **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 contribution.

#### **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 balance sheet date.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Taxation (continued)

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 each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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.

#### 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 balance sheet 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, loans and receivables, financial assets carried at fair value through profit or loss 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. The accounting policies adopted in respect of each category of financial assets are set out below.

#### *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 on points 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.

Income is recognised on an effective interest basis for debt instruments.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including amounts due from associates, debtors and pledged bank deposits, restricted cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Financial assets carried at fair value through profit or loss*

Financial assets are classified as at fair value through profit or loss where the financial asset is held for trading.

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.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

##### *Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available for sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available for sale financial assets are recognised in profit or loss. Impairment losses on available for sale equity investments will not reverse in profit or loss in subsequent periods. 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.

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 each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. 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 impacted.

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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

##### *Impairment of financial assets (continued)*

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 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 equity. 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.

##### *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 through the expected life of the financial liability, or, where appropriate, a shorter period.

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 each balance sheet date. Changes in fair values of such derivatives are recognised directly 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 directly in equity 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.

##### **Provision**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

##### **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 each balance sheet date, 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, 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 transfer to retained profits.

### 4. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, 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.

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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 valuation performed by independent professional valuers except for certain investment properties, which are stated at fair value based on the Directors' valuation, at 31 December 2007. In determining the fair value, the valuers have used income capitalisation method which involves estimates of future cashflow determined by current leases and future leases with reference to current market conditions. In relying on the valuation report, the Directors of the Company has exercised their judgments and are satisfied that the method of valuation is reflective of the current market conditions.

The Directors' valuation is made reference to the valuation performed by independent professional valuers at 30 November 2007. In determining the fair value at 30 November 2007, the valuers have used income capitalisation method which involves estimates of future cashflow determined by current leases and future leases with reference to current market conditions. In relying on the valuation report, the Directors of the Company have reviewed the market condition in December 2007 and are satisfied that the fair value of investment properties at 30 November 2007 approximates the fair value at 31 December 2007.

#### *Fair value of derivative financial instruments*

As described in note 26, the Directors of the Company use their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

#### *Estimated impairment of trade debtors*

When there is objective evidence of impairment loss, the management takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. Trade debtors of HK\$47,238,000 are past due and aged over 6 months as at 31 December 2007. The Group has not provided allowance for doubtful debts as there has not been a significant change in credit quality and the amount is still considered recoverable. As at 31 December 2007, the carrying amount of trade debtors is HK\$286,628,000 (net of allowance for doubtful debts of HK\$6,913,000).

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include amounts due from associates, available for sale investments, pledged bank deposits, restricted cash, trade debtors, financial assets carried at fair value through profit or loss, bank balances, 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. 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 fixed deposits, pledged bank deposits and fixed rate bank and other borrowings. The Group will continue to maintain a reasonable mix of floating-rate and fixed-rate borrowings to take actions to hedge against any foreseeable interest rate exposure, if necessary. The interest rates and terms of repayment of bank and other borrowings of the Group are disclosed in note 27.

The Group's exposure to cash flow interest rate risk is resulted from fluctuations in interest rate on borrowings, derivative financial instruments, pledged bank deposits, restricted cash and bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and London Interbank Offer Rate ("LIBOR") arising from the Group's variable interest rate borrowings and derivative financial instruments and the fluctuation of prevailing market interest rate from pledged bank deposits, restricted cash and bank balances. The interest rate and terms of pledged bank deposits, restricted cash, bank balances, derivative financial instruments and borrowings for the Group are set out in notes 21, 26 and 27 respectively.

##### *Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by HK\$40,437,000 (2006: decrease/increase by HK\$37,203,000).

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (a) Market risk (continued)

##### (ii) Currency risk

The Group have certain bank deposits and bills payable 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.

##### *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	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Pound Sterling	77	8,945	–	–
United States dollars	1,349,047	1,720,690	3,268	4,379
Euro dollars	10,231	3,592	7,880	3,176
Australian dollars	8,178	3	–	–

##### *Foreign currency sensitivity*

The following table details the Company's sensitivity to a 1% increase and decrease in the Hong Kong dollars against the relevant foreign currencies. 1% 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 1% change in foreign currency rate. A positive number below indicates an increase in profit where Hong Kong dollars weakening 1% against the relevant currency. For a 1% strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	2007 HK\$'000	2006 HK\$'000
Pound Sterling	–	89
United States dollars	13,468	17,150
Euro dollars	31	4
Australian dollars	82	–

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.



## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (a) Market risk (continued)

#### (iii) *Other price risk*

The Group's listed available for sale investments and financial assets carried at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk in relation to its listed available for sale investments and financial assets carried at fair value through profit or loss.

#### *Other price sensitivity*

The sensitivity analyses below have 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 financial assets carried at fair value through profit or loss had been 5% higher/lower:

- profit for the year ended 31 December 2007 increase/decrease by HK\$1,793,000 (2006: increase/decrease by nil) as a result of the changes in fair value of financial assets carried at fair value through profit or loss; and
- investment valuation reserve would increase/decrease by HK\$312,196,000 (2006: increase/decrease by HK\$259,246,000) for the Company as a result of the changes in fair value of listed available for sale investments.

### (b) Liquidity risk

The Group is exposed to liquidity risk as the Group had net current liabilities of HK\$845,598,000 at 31 December 2007.

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.

## Notes to the Consolidated Financial Statements

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (b) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of 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. For derivative financial instruments settle on a net basis, undiscounted net cash (inflows)/outflows are presented.

	Weighted average 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 31.12.2007 HK\$'000
<b>2007</b>									
Non-interest bearing	–	688,984	–	–	–	–	–	688,984	688,984
Fixed-rate interest rate instruments	4.52% to 12.50%	24,462	13,286	128,679	43,844	83,938	503,918	798,127	685,902
Variable interest rate instruments	4.62% to 10.22%	533,480	201,828	2,608,125	2,110,633	2,486,256	1,573,057	9,513,379	8,709,608
		<u>1,246,926</u>	<u>215,114</u>	<u>2,736,804</u>	<u>2,154,477</u>	<u>2,570,194</u>	<u>2,076,975</u>	<u>11,000,490</u>	<u>10,084,494</u>
<b>2006</b>									
Non-interest bearing	–	738,248	–	–	–	–	–	738,248	738,248
Fixed-rate interest rate instruments	4.52% to 12.50%	32,908	25,077	50,143	715,825	45,243	587,653	1,456,849	1,251,065
Variable interest rate instruments	3.75% to 8.75%	196,588	252,462	562,251	3,075,986	2,082,059	3,917,804	10,087,150	9,056,151
		<u>967,744</u>	<u>277,539</u>	<u>612,394</u>	<u>3,791,811</u>	<u>2,127,302</u>	<u>4,505,457</u>	<u>12,282,247</u>	<u>11,045,464</u>

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (b) Liquidity risk (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash outflows on the derivative financial instruments that settle on a net basis. 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.

	Weighted average 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	Total HK\$'000
<b>2007</b>						
<b>Derivatives settled net</b>						
Interest rate swaps	(0.62)%	(959)	(959)	(1,918)	(3,836)	(7,672)
Currency forward contracts	–	243,161	218,309	276,938	–	738,408
		<u>242,202</u>	<u>217,350</u>	<u>275,020</u>	<u>(3,836)</u>	<u>730,736</u>
<b>2006</b>						
<b>Derivatives settled net</b>						
Interest rate swaps	0.53%	<u>1,088</u>	<u>806</u>	<u>1,611</u>	<u>3,223</u>	<u>6,728</u>

### (c) Credit risk

The Group's principal financial assets are pledged bank deposits, restricted cash, bank balances and cash, trade and other debtors, amounts due from associates, available for sale investments and financial assets carried at fair value through profit or loss. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The credit risk on liquid funds and restricted cash are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

## Notes to the Consolidated Financial Statements

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (c) Credit risk (continued)

The Group's credit risk is primarily attributable to its trade and other debtors. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts.

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 at each balance sheet date 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.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

#### (d) Categories of financial instruments

	2007 HK\$'000	2006 HK\$'000
<b>Loans and receivables</b>		
Trade debtors	286,628	224,719
Other receivables	58,793	72,014
Amounts due from associates	12,077	12,377
Pledged bank deposits	323,226	326,465
Restricted cash	567,599	–
Bank balances and cash	2,884,709	2,923,834
	<b>4,133,032</b>	<b>3,559,409</b>
<b>Financial assets carried at fair value through profit or loss</b>		
Financial assets carried at fair value through profit or loss	35,856	–
<b>Available for sale financial assets</b>		
Available for sale investments	6,263,705	5,185,176

## 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### (d) Categories of financial instruments (continued)

	2007 HK\$'000	2006 HK\$'000
<b>Financial liabilities at amortised costs</b>		
Trade creditors	205,399	165,195
Other payables	482,354	569,046
Borrowings	9,395,510	10,307,216
Unsecured bank overdrafts	1,231	4,007
	10,084,494	11,045,464
<b>Derivative financial instruments</b>		
Derivative financial instruments	9,714	8,234

### (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 fair value through profit or loss with standard terms and conditions and traded on active liquid markets are determined with reference to quoted closing prices.
- the fair value of derivative financial instruments is determined based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments and Black-Scholes option pricing model for option derivatives based on the quoted forward exchange rates and yield curve derived from quoted interest rates matching of the contracts.
- 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.

## Notes to the Consolidated Financial Statements

### 6. REVENUE

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

	2007 HK\$'000	2006 HK\$'000
Property rental income	711,079	821,733
Building management service income	89,386	108,341
Hotel income	2,927,104	2,592,005
Sales of goods	112,524	127,526
Dividend income	85,447	–
Others	256,499	122,648
	<b>4,182,039</b>	<b>3,772,253</b>

### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

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

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

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

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

Segment information about these businesses is presented below.

#### 2007

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	800,465	2,927,104	454,470	–	4,182,039
Inter-segment sales	28,644	–	17,442	(46,086)	–
Total	829,109	2,927,104	471,912	(46,086)	4,182,039
Inter-segment sales are charged at a mutually agreed price.					
RESULTS					
Segment result	460,605	546,066	262,126		1,268,797
Unallocated corporate income					110,206
Unallocated corporate expenses					(108,389)
Fair value changes on investment properties	4,142,866	–	–		4,142,866
Fair value changes on derivative financial instruments					(1,438)
Fair value changes on financial assets carried at fair value through profit or loss					29,816
Finance costs					(568,371)
Share of results of associates	158	–	17,621		17,779
Profit before tax					4,891,266
Income taxes					(992,988)
Profit for the year					3,898,278

## Notes to the Consolidated Financial Statements

### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### Business segments (continued)

#### OTHER INFORMATION

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
Capital expenditure	26,161	344,618	18,744	389,523
Depreciation on property, plant and equipment	9,010	254,254	9,868	273,132
Amortisation of prepaid lease payments	166	44,605	–	44,771
Non-cash expenses other than depreciation and amortisation	5,940	57,230	–	63,170

#### BALANCE SHEET

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>				
Segment assets	19,065,023	10,311,068	6,619,765	35,995,856
Interests in associates	307	–	38,619	38,926
Unallocated corporate assets				2,235,164
Consolidated total assets				38,269,946
<b>LIABILITIES</b>				
Segment liabilities	619,399	473,254	150,545	1,243,198
Unallocated corporate liabilities				11,945,370
Consolidated total liabilities				13,188,568



## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

2006

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	930,074	2,592,005	250,174	–	3,772,253
Inter-segment sales	34,654	–	21,650	(56,304)	–
Total	964,728	2,592,005	271,824	(56,304)	3,772,253
Inter-segment sales are charged at a mutually agreed price.					
RESULTS					
Segment result	562,783	525,216	55,501		1,143,500
Unallocated corporate income					143,453
Unallocated corporate expenses					(100,079)
Fair value changes on investment properties	342,167	–	–		342,167
Fair value changes on derivative financial instruments					37,206
Loss on disposal of property investment subsidiaries	(264,620)	–	–		(264,620)
Finance costs					(713,884)
Share of results of associates	160	–	14,295		14,455
Profit before tax					602,198
Income taxes					(194,674)
Profit for the year					407,524

## Notes to the Consolidated Financial Statements

### 7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### Business segments (continued)

#### OTHER INFORMATION

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
Capital expenditure	31,090	253,163	8,992	293,245
Depreciation on property, plant and equipment	7,380	212,918	9,011	229,309
Amortisation of prepaid lease payments	166	44,605	–	44,771
Non-cash expenses other than depreciation and amortisation	–	8,227	–	8,227

#### BALANCE SHEET

	Property investment HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
<b>ASSETS</b>				
Segment assets	15,536,388	9,849,373	5,383,936	30,769,697
Interests in associates	849	–	28,426	29,275
Unallocated corporate assets				2,399,782
Consolidated total assets				33,198,754
<b>LIABILITIES</b>				
Segment liabilities	694,315	412,456	111,584	1,218,355
Unallocated corporate liabilities				11,931,464
Consolidated total liabilities				13,149,819

## 7. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Geographical segments

A geographical analysis of the Group's revenue based on the geographical location of customers is as follows:

	2007 HK\$'000	2006 HK\$'000
Hong Kong	2,238,365	2,024,311
North America	983,294	957,647
Europe	447,121	419,047
Asia Pacific, other than Hong Kong	513,259	371,248
	<b>4,182,039</b>	<b>3,772,253</b>

An analysis of the carrying amount of segment assets and additions to investment properties, property, plant and equipment analysed by the geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	28,697,688	23,956,899	184,540	113,529
North America	3,853,312	3,730,132	51,824	47,535
Europe	2,067,438	1,924,190	138,461	78,065
Asia Pacific, other than Hong Kong	1,377,418	1,158,476	14,698	54,116
	<b>35,995,856</b>	<b>30,769,697</b>	<b>389,523</b>	<b>293,245</b>

## Notes to the Consolidated Financial Statements

### 8. OTHER INCOME

	2007 HK\$'000	2006 HK\$'000
Gain on partial disposal of an associate	–	387
Gain on disposal of property, plant and equipment	279	56
Gain on disposal of listed available for sale investments	15,605	7,691
Interest income	146,750	177,995
Net exchange gain	9,641	12,044
Allowance for doubtful debts written back, net	5,842	745
Sundry income	3,909	9,228
	<b>182,026</b>	<b>208,146</b>

### 9. FINANCE COSTS

	2007 HK\$'000	2006 HK\$'000
Interest on bank borrowings not wholly repayable within five years	–	91,157
Interest on bank borrowings wholly repayable within five years	439,993	488,211
Interest on other loans wholly repayable within five years	114,861	117,616
Other borrowing costs	13,517	16,900
	<b>568,371</b>	<b>713,884</b>

## 10. INCOME TAXES

	2007 HK\$'000	2006 HK\$'000
<b>Current tax:</b>		
Current year:		
Hong Kong Profits Tax	87,486	36,461
Other jurisdictions	34,443	29,984
	<b>121,929</b>	<b>66,445</b>
Under(over)provision in prior years:		
Hong Kong Profits Tax	7,377	(96)
Other jurisdictions	211	(1,090)
	<b>7,588</b>	<b>(1,186)</b>
	<b>129,517</b>	<b>65,259</b>
<b>Deferred tax</b> (note 28):		
Current year	863,471	129,415
	<b>992,988</b>	<b>194,674</b>

Hong Kong Profits Tax is calculated at 17.5% of estimated assessable profit for the year.

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

## Notes to the Consolidated Financial Statements

### 10. INCOME TAXES (continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	2007 HK\$'000	2006 HK\$'000
Profit before tax	4,891,266	602,198
Tax at the domestic income tax rate of 17.5%	855,972	105,385
Tax effect of expenses that are not deductible for tax purpose	62,424	46,172
Tax effect of income that is not taxable for tax purpose	(51,501)	(15,934)
Under(over)provision in prior years	7,588	(1,186)
Tax effect of share of result of associates	(3,111)	(2,530)
Tax effect of tax losses not recognised	19,725	44,817
Utilisation of tax losses previously not recognised	(21,290)	(23,879)
Effect of different tax rates of subsidiaries operating in other jurisdictions	119,308	36,829
Others	3,873	5,000
Tax charge for the year	992,988	194,674

## 11. PROFIT FOR THE YEAR

	2007 HK\$'000	2006 HK\$'000
Profit for the year has been arrived at after charging:		
Staff costs	1,108,111	980,528
Share based payments	11,657	5,348
	<b>1,119,768</b>	<b>985,876</b>
Depreciation on		
– hotel buildings	166,143	148,388
– other property, plant and equipment	106,989	80,921
	<b>273,132</b>	<b>229,309</b>
Auditors' remuneration	7,024	6,435
Fitting-out works of investment properties and hotel buildings written off	63,170	8,227
Operating lease payments on rented premises	3,747	3,491
Cost of inventories recognised as an expense	385,920	364,151
Share of tax of associates (included in the share of result of associates)	1,154	1,923
Impairment loss recognised on interest in an associate and after crediting:	1,505	–
Gain on disposal of property, plant and equipment	279	56
Rental income from investment properties less related outgoings of HK\$209,156,000 (2006: HK\$253,420,000)	<b>501,923</b>	<b>568,313</b>

## Notes to the Consolidated Financial Statements

### 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2006: twelve) directors were as follows:

	2007					Total HK\$'000
	Fee HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Share options HK\$'000	Retirement benefits scheme contributions HK\$'000	
Madam LO TO Lee Kwan	100	–	–	–	–	100
Dr. LO Ka Shui	100	4,796	1,346	2,391	161	8,794
Mr. LO Kai Shui	100	1,243	286	879	57	2,565
Mr. CHENG Hoi Chuen, Vincent	310	–	–	–	–	310
Professor WONG Yue Chim, Richard	270	–	–	–	–	270
Mrs. LEE Pui Ling, Angelina	270	–	–	–	–	270
Mr. LO Hong Sui, Antony	100	1,092	273	756	55	2,276
Madam LAW Wai Duen	100	446	111	398	22	1,077
Mr. LO Hong Sui, Vincent	100	–	–	–	–	100
Dr. LO Ying Sui, Archie	100	–	–	–	–	100
Mr. KAN Tak Kwong	100	3,105	1,294	1,171	155	5,825
	1,650	10,682	3,310	5,595	450	21,687



## 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

	2006					Total HK\$'000
	Fee HK\$'000	Salaries and other benefits HK\$'000	Discretionary bonuses HK\$'000	Share options HK\$'000	Retirement benefits scheme contributions HK\$'000	
Mr. LO Ying Shek (Late)	67	-	-	110	-	177
Madam LO TO Lee Kwan	100	-	-	-	-	100
Dr. LO Ka Shui	100	3,885	780	834	146	5,745
Mr. LO Kai Shui	100	1,104	230	562	55	2,051
Mr. CHENG Hoi Chuen, Vincent	310	-	-	-	-	310
Professor WONG Yue Chim, Richard	270	-	-	-	-	270
Mrs. LEE Pui Ling, Angelina	270	-	-	-	-	270
Mr. LO Hong Sui, Antony	100	1,055	220	136	53	1,564
Madam LAW Wai Duen	100	430	90	136	22	778
Mr. LO Hong Sui, Vincent	100	-	-	-	-	100
Dr. LO Ying Sui, Archie	100	-	-	-	-	100
Mr. KAN Tak Kwong	100	2,827	3,200	335	141	6,603
	1,717	9,301	4,520	2,113	417	18,068

### Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2006: two) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2006: three) individuals were as follows:

	2007 HK\$'000	2006 HK\$'000
Salaries and other benefits	8,248	7,798
Discretionary bonuses	1,322	1,810
Share based payments	1,120	347
Retirement benefits scheme contributions	470	328
	11,160	10,283

## Notes to the Consolidated Financial Statements

### 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

#### Employees' emoluments (continued)

	2007 Number of employees	2006 Number of employees
Bands:		
HK\$2,500,001-HK\$3,000,000	–	1
HK\$3,000,001-HK\$3,500,000	1	1
HK\$3,500,001-HK\$4,000,000	1	1
HK\$4,000,001-HK\$4,500,000	1	–
	<b>3</b>	<b>3</b>

### 13. DIVIDENDS

	2007 HK\$'000	2006 HK\$'000
Dividends paid:		
– Final dividend of HK25 cents in respect of 2006 (2006: HK20 cents in respect of 2005) per ordinary share	<b>150,268</b>	119,186
– Interim:		
Dividend of HK15 cents in respect of 2007 (2006: HK5 cents) per ordinary share	<b>90,693</b>	30,042
Special dividend of HK\$5 in respect of 2006 per ordinary share	–	3,004,225
	<b>90,693</b>	3,034,267
	<b>240,961</b>	3,153,453
Dividends proposed:		
– Proposed final dividend of HK35 cents in respect of 2007 (2006: HK25 cents) per ordinary share	<b>211,641</b>	150,216

The proposed final dividend in respect of 2007 is subject to approval by the shareholders in the forthcoming annual general meeting.

## 14. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to equity holders of the parent is based on the following data:

	2007 HK\$'000	2006 HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	3,898,273	405,506
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	602,812,151	597,809,803
Effect of dilutive potential shares:		
Share options	637,543	1,066,642
Weighted average number of shares for the purpose of diluted earnings per share	603,449,694	598,876,445

## Notes to the Consolidated Financial Statements

### 15. PROPERTY, PLANT AND EQUIPMENT

	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
<b>COST</b>						
At 1 January 2006	7,993,110	223,724	277,995	5,773	3,815	8,504,417
Exchange adjustments	323,216	–	5,163	–	–	328,379
Additions	106,689	–	155,466	–	–	262,155
Transfer in	5,652	80,397	–	–	–	86,049
Disposals/written off	(11,894)	–	(13,413)	(625)	–	(25,932)
At 31 December 2006	8,416,773	304,121	425,211	5,148	3,815	9,155,068
Exchange adjustments	363,836	–	24,647	–	–	388,483
Additions	241,710	–	121,070	582	–	363,362
Transfer from investment properties	–	90,600	–	–	–	90,600
Disposals/written off	(77,985)	–	(8,249)	(1,655)	(2,572)	(90,461)
<b>At 31 December 2007</b>	<b>8,944,334</b>	<b>394,721</b>	<b>562,679</b>	<b>4,075</b>	<b>1,243</b>	<b>9,907,052</b>
<b>DEPRECIATION AND IMPAIRMENT</b>						
At 1 January 2006	1,064,832	10,657	118,150	4,412	3,454	1,201,505
Exchange adjustments	42,467	–	2,067	–	–	44,534
Charge for the year	148,388	7,019	73,296	416	190	229,309
Eliminated on disposal	(3,667)	–	(2,889)	(625)	–	(7,181)
At 31 December 2006	1,252,020	17,676	190,624	4,203	3,644	1,468,167
Exchange adjustments	64,357	–	10,396	–	–	74,753
Charge for the year	166,143	8,729	97,644	450	166	273,132
Eliminated on disposal	(16,226)	–	(7,860)	(1,573)	(2,572)	(28,231)
<b>At 31 December 2007</b>	<b>1,466,294</b>	<b>26,405</b>	<b>290,804</b>	<b>3,080</b>	<b>1,238</b>	<b>1,787,821</b>
<b>CARRYING VALUES</b>						
<b>At 31 December 2007</b>	<b>7,478,040</b>	<b>368,316</b>	<b>271,875</b>	<b>995</b>	<b>5</b>	<b>8,119,231</b>
At 31 December 2006	7,164,753	286,445	234,587	945	171	7,686,901

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2007, hotel buildings with carrying amounts of HK\$2,969,274,000 (2006: HK\$2,995,916,000) were situated in Hong Kong under medium-term leases. The remaining balance of HK\$4,508,766,000 (2006: HK\$4,168,837,000) represents hotel buildings on freehold land outside Hong Kong.

Owner occupied buildings situated in Hong Kong which are held under long-term and medium-term leases amounted to HK\$59,068,000 (2006: HK\$37,123,000) and HK\$309,248,000 (2006: HK\$249,322,000), respectively.

## 16. PREPAID LEASE PAYMENTS

	2007 HK\$'000	2006 HK\$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Long lease	20,031	20,197
Medium-term lease	1,775,924	1,820,529
	<b>1,795,955</b>	<b>1,840,726</b>
Analysed for reporting purposes as:		
Non-current asset	1,751,184	1,795,955
Current asset	44,771	44,771
	<b>1,795,955</b>	<b>1,840,726</b>

### 17. INVESTMENT PROPERTIES

	2007 HK\$'000	2006 HK\$'000
<b>FAIR VALUE</b>		
At 1 January	14,665,992	37,049,745
Exchange adjustments	5,588	5,279
Additions	26,161	24,850
Increase in fair value recognised in the consolidated income statement	4,142,866	342,167
Disposal of property investment subsidiaries	–	(22,670,000)
Disposals/written off	(1,140,377)	–
Transfer to property, plant and equipment	(90,600)	(86,049)
At 31 December	<b>17,609,630</b>	<b>14,665,992</b>

- (a) The Group's property interests of HK\$16,387,790,000 (2006: HK\$12,839,600,000) 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 2007 except for Langham Place situated in Hong Kong has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group at 31 December 2007:

Investment properties in Hong Kong – Knight Frank Petty Limited.

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

The valuations were arrived by using income capitalisation method which is determined based on the future cashflow of market rentals at 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 fair value of Langham Place situated in Hong Kong is determined by the Directors of the Company. No valuation has been performed by independent professional property valuers at 31 December 2007. The Directors' valuation was made by reference to a valuation performed by independent professional valuers at 30 November 2007 arrived at using income capitalisation method.

## 17. INVESTMENT PROPERTIES (continued)

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

	2007 HK\$'000	2006 HK\$'000
Long leases in Hong Kong	2,494,790	2,195,600
Medium-term leases in Hong Kong	13,893,000	10,644,000
Freehold land outside Hong Kong	1,221,840	1,826,392
	17,609,630	14,665,992

## 18. INTERESTS IN ASSOCIATES

	2007 HK\$'000	2006 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 reserves	37,823	26,667
	40,431	29,275
Impairment loss recognised (note)	(1,505)	-
	38,926	29,275
Fair value of the listed associate	65,701	73,209

Note:

During the year ended 31 December 2007, the Group made a provision for impairment loss amounting to HK\$1,505,000 to fully write off the investment in an inactive associate.

## Notes to the Consolidated Financial Statements

### 18. INTERESTS IN ASSOCIATES (continued)

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

	2007 HK\$'000	2006 HK\$'000
Total assets	383,098	406,404
Total liabilities	(161,002)	(262,875)
Net assets	222,096	143,529
Group's share of net assets of associates	40,431	29,275
Revenue	459,543	413,278
Profit for the year	84,151	68,012
Group's share of results of associates for the year	17,779	14,455

Particulars regarding the principal associates are set out in note 38.



## 19. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments comprise:

	2007 HK\$'000	2006 HK\$'000
Listed securities in Hong Kong:		
– Champion REIT	6,167,196	5,074,104
– Others	76,728	110,826
Unlisted securities in Hong Kong	19,781	246
	<b>6,263,705</b>	<b>5,185,176</b>
Market value of listed securities	<b>6,243,924</b>	<b>5,184,930</b>

The Group's investment in Champion REIT represents approximately 48% (2006: 49%) unitholding of Champion REIT which is more than 10% of the assets in the Group's consolidated balance sheet. 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 REIT Code, 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 significant influence on the operating and financial policies of Champion REIT and hence Champion REIT is not regarded as an associate of the Group.

At the balance sheet date, all the listed securities are stated at fair value which have been determined by reference to closing prices quoted in active markets.

Unlisted securities represent unlisted equity investments and club debentures. They are measured at cost less impairment at each balance sheet date 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.

## 20. 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 balance sheet date and the balances are classified as non-current.

### 21. PLEDGED BANK DEPOSITS, RESTRICTED CASH, BANK BALANCES AND CASH, UNSECURED BANK OVERDRAFTS

#### Bank balances and pledged bank deposits

Bank balances and pledged bank deposits carry interest at market rates which range from 0.175% to 7.9% (2006: 2.88% to 5.32%) and 3.12% to 4.75% (2006: 3.55% to 4.50%) respectively.

The pledged deposits have been placed in designated banks as part of the securities provided for long-term bank facilities granted to the Group. The pledge bank deposits will be released upon the settlement of relevant bank borrowings.

#### Restricted cash

Restricted cash amounting to HK\$516,884,000 represents cash placed in a financial institution under statutory tax law of the United States of America ("United States") as a result of the disposal of an investment property situated in the United States during the year ended 31 December 2007. The amount will be released upon satisfaction of conditions set forth in the escrow agreement and put toward an acquisition of a hotel property situated in the United States. In addition, the Group deposited HK\$50,715,000 in another financial institution which represents earnest money pursuant to the first amendment of the sale and purchase agreement entered into on 19 October 2007 relating to the acquisition of the said hotel property. Details of the acquisition are set out in note 39(1).

Restricted cash carry interest at market rates which range from 3.9% to 4.38% (2006: nil).

#### Unsecured bank overdrafts

Bank overdrafts carry interest at market rates which range from 7% to 12.72% (2006: 7.75% to 8%).

### 22. INVENTORIES

	2007 HK\$'000	2006 HK\$'000
Completed properties held for sale	42	42
Raw materials	11,487	16,183
Trading goods	20,649	8,881
Provisions and beverages	27,845	25,342
Work-in-progress	51,457	35,677
	111,480	86,125

## 23. DEBTORS, DEPOSITS AND PREPAYMENTS

	2007 HK\$'000	2006 HK\$'000
Trade debtors	293,541	238,331
Allowance for doubtful debts	(6,913)	(13,612)
	<b>286,628</b>	<b>224,719</b>
Deferred rent receivables	70,235	59,437
Other receivables	58,793	72,014
Deposits and prepayments	91,896	85,713
	<b>507,552</b>	<b>441,883</b>

For sales of goods, the Group allows an average credit period of 30-60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. For hotel income, the Group allows a credit period of 30 days to its customers. The following is an aged analysis of trade debtors net of allowance for doubtful debts:

	2007 HK\$'000	2006 HK\$'000
0-3 months	234,167	220,320
3-6 months	5,223	3,045
Over 6 months	47,238	1,354
	<b>286,628</b>	<b>224,719</b>

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$ 65,875,000 (2006: HK\$39,838,000) which are past due at the reporting date for which the Group has not provided 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.

## Notes to the Consolidated Financial Statements

### 23. DEBTORS, DEPOSITS AND PREPAYMENTS (continued)

#### Aging of past due but not impaired

	2007 HK\$'000	2006 HK\$'000
0-3 months	13,414	35,439
3-6 months	5,223	3,045
Over 6 months	47,238	1,354
Total	<u>65,875</u>	<u>39,838</u>

#### Movement in the allowance for doubtful debts

	2007 HK\$'000	2006 HK\$'000
At 1 January	13,612	23,351
Amounts written off	(857)	(8,994)
Amounts recovered	(7,468)	(2,480)
Increase in allowance recognised in profit or loss	1,626	1,735
At 31 December	<u>6,913</u>	<u>13,612</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. 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.

### 24. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2007 HK\$'000	2006 HK\$'000
Held-for-trading listed securities in Hong Kong:		
– Champion REIT	<u>35,856</u>	<u>–</u>

During the year ended 31 December 2007, the Group received management service income, by way of units, as the manager of Champion REIT. The units are classified as held for trading with the purpose of selling in the near future.

## 25. CREDITORS, DEPOSITS AND ACCRUALS

	2007 HK\$'000	2006 HK\$'000
Trade creditors	205,399	165,195
Rental deposits	260,209	224,463
Construction fee payable and retention money payable	422,987	486,376
Accruals, interest payable and other payables	373,111	361,833
	<b>1,261,706</b>	<b>1,237,867</b>

The aged analysis of trade creditors is as follows:

	2007 HK\$'000	2006 HK\$'000
0-3 months	200,554	162,060
3-6 months	2,650	658
Over 6 months	2,195	2,477
	<b>205,399</b>	<b>165,195</b>
Rental deposits		
– Due within one year	155,633	138,696
– Due more than one year	104,576	85,767
	<b>260,209</b>	<b>224,463</b>

### 26. DERIVATIVE FINANCIAL INSTRUMENTS

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 HK\$567,800,000 (2006: HK\$1,217,800,000) were entered for periods up to 2009, to swap floating-rate borrowings to fixed-rate borrowings of interest rates ranging from 4.91% to 5.48% (2006: 4.72% to 5.48%).

During the year ended 31 December 2007, the Group has used certain foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in Australia and the United Kingdom. The Australian dollar derivative contract has notional amount of A\$2,000,000 (equivalent to approximately HK\$13,773,000) and involves the Group receiving Australian dollar on or before maturity date in December 2008. The United Kingdom currency derivative contracts have notional amount of GBP39,720,000 (equivalent to approximately HK\$618,937,000) and involve the Group receiving Pound Sterling on or before maturity dates varying from April 2008 to December 2008.

The outstanding swaps and currency forward contracts at 31 December 2007 are fair valued at liabilities of HK\$447,000 (2006: HK\$8,234,000) and HK\$9,267,000 (2006: nil) respectively, which are determined using values provided by the counterparty banks. Changes in fair value of these derivative financial instruments were charged to the consolidated income statement.

## 27. BORROWINGS

	2007 HK\$'000	2006 HK\$'000
Bills payable	11,148	7,555
Bank loans and revolving loans (secured)	8,249,514	8,586,918
Other non-current loans (secured)	1,147,545	1,731,675
	<b>9,408,207</b>	10,326,148
Loan front-end fee	(12,697)	(18,932)
	<b>9,395,510</b>	10,307,216
The maturity of the above loans is as follows:		
On demand or within one year	3,020,131	538,682
More than one year but not exceeding two years	1,907,840	3,466,524
More than two years but not exceeding five years	4,467,539	5,159,409
More than five years	–	1,142,601
	<b>9,395,510</b>	10,307,216
Less: Amounts due within one year shown under current liabilities	(3,020,131)	(538,682)
Amounts due after one year	<b>6,375,379</b>	9,768,534

## Notes to the Consolidated Financial Statements

### 27. BORROWINGS (continued)

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

	2007 HK\$'000	2006 HK\$'000
Within one year	125,248	14,923
More than one year but not exceeding two years	6,801	676,865
More than two years but not exceeding three years	50,225	6,779
More than three years but not exceeding four years	503,628	50,073
More than four years but not exceeding five years	–	502,425
	<b>685,902</b>	<b>1,251,065</b>

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

	2007 HK\$'000	2006 HK\$'000
Within one year	2,894,883	523,759
More than one year but not exceeding two years	1,901,039	2,789,659
More than two years but not exceeding three years	2,404,010	1,896,222
More than three years but not exceeding four years	306,714	2,400,603
More than four years but not exceeding five years	1,202,962	303,307
More than five years	–	1,142,601
	<b>8,709,608</b>	<b>9,056,151</b>

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

	2007	2006
Effective interest rate:		
Fixed-rate borrowings	<b>4.52% to 12.50%</b>	4.52% to 12.50%
Variable-rate borrowings	<b>4.62% to 10.22%</b>	3.75% to 8.75%



## 28. 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 2006	5,004,730	(329,769)	(21,731)	4,653,230
Exchange differences	21,608	(6,304)	(372)	14,932
Charge to income for the year	94,976	30,394	4,045	129,415
Release upon disposal	(3,298,986)	7,295	–	(3,291,691)
At 31 December 2006	1,822,328	(298,384)	(18,058)	1,505,886
Exchange differences	22,267	(8,360)	(41)	13,866
Charge to income for the year	820,790	42,681	–	863,471
<b>At 31 December 2007</b>	<b>2,665,385</b>	<b>(264,063)</b>	<b>(18,099)</b>	<b>2,383,223</b>

At the balance sheet date, the Group has unutilised tax losses of HK\$2,713,192,000 (2006: HK\$2,746,233,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$1,294,582,000 (2006: HK\$1,525,581,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,418,610,000 (2006: HK\$1,220,652,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK\$1,472,340,000 (2006: HK\$1,079,186,000). 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.

## Notes to the Consolidated Financial Statements

### 29. SHARE CAPITAL

	2007		2006	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
(a) <b>Authorised:</b>				
<i>Shares of HK\$0.50 each</i>				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000
(b) <b>Issued and fully paid:</b>				
<i>Shares of HK\$0.50 each</i>				
Balance brought forward	600,854	300,427	594,801	297,401
Issued upon exercise of share options under the Share Option Scheme	423	211	2,433	1,216
Issued as scrip dividends	3,354	1,677	3,620	1,810
Balance carried forward	604,631	302,315	600,854	300,427

During the year ended 31 December 2007, 3,353,013 (2006: 3,619,550) shares of HK\$0.50 each in the Company were issued at HK\$28 (2006: HK\$23.25) per share as scrip dividends.

### 30. SHARE OPTION

In accordance with Share Option Scheme of Great Eagle Holdings Limited Share Option (formerly Executive Share Option Scheme) (the "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.

#### Summary of the Scheme

- The purpose of the 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.
- Participants of the 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 director of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

### 30. SHARE OPTION (continued)

- 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 Scheme. The total number of Shares available for issue under the Scheme is 54,636,853 Shares, representing 9% of the Company’s issued share capital as at 1 April 2008, the latest practicable date before the approval of these consolidated financial statements.
- d. No option may be granted to any one Participant under the 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. The minimum period within which an option must be held before it can be exercised is the 24 months referred to in paragraph (e) above.
- g. 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.
- h. 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.
- i. The Scheme has a life of 10 years and will expire on 10 June 2009.

## Notes to the Consolidated Financial Statements

### 30. SHARE OPTION (continued)

The following table discloses details of the Company's share options held by employees and movements in such holdings during the year:

In 2007 Year of grant of options	Number of shares					
	Outstanding options at 1 January 2007	Options granted	Options exercised	Options cancelled	Options lapsed 28 January 2007	Outstanding options at 31 December 2007
2002	11,000	–	(5,000)	–	(6,000)	–
2003	15,000	–	–	–	–	15,000
2004	35,000	–	(30,000)	–	–	5,000
2005	1,467,000	–	(388,000)	(66,000)	–	1,013,000
2007	–	3,158,000	–	(111,000)	–	3,047,000
	<b>1,528,000</b>	<b>3,158,000</b>	<b>(423,000)</b>	<b>(177,000)</b>	<b>(6,000)</b>	<b>4,080,000</b>
Exercisable at end of the year						
Weighted average exercise price	<b>HK\$17.90</b>	<b>HK\$22.35</b>	<b>HK\$17.76</b>	<b>HK\$20.81</b>	<b>HK\$8.44</b>	<b>HK\$21.25</b>

In 2006 Year of grant of options	Number of shares					
	Outstanding options at 1 January 2006	Options granted	Options exercised	Options cancelled	Options lapsed 16 January 2006	Outstanding options at 31 December 2006
2001	502,000	–	(460,000)	–	(42,000)	–
2002	437,000	–	(426,000)	–	–	11,000
2003	411,000	–	(396,000)	–	–	15,000
2004	1,187,000	–	(1,152,000)	–	–	35,000
2005	1,596,000	–	–	(129,000)	–	1,467,000
	<b>4,133,000</b>	<b>–</b>	<b>(2,434,000)</b>	<b>(129,000)</b>	<b>(42,000)</b>	<b>1,528,000</b>
Exercisable at end of the year						
Weighted average exercise price	<b>HK\$13.90</b>	<b>HK\$0.00</b>	<b>HK\$11.17</b>	<b>HK\$18.21</b>	<b>HK\$13.39</b>	<b>HK\$17.90</b>

### 30. SHARE OPTION (continued)

Details of the share options held by the Directors included in the above table are as follows:

#### In 2007

Year of grant of options	Number of shares					Outstanding options at 31 December 2007
	Outstanding options at 1 January 2007	Options granted	Options exercised	Options cancelled	Options lapsed 28 January 2007	
2002-2007	720,000	1,400,000	–	–	–	2,120,000

#### In 2006

Year of grant of options	Number of shares					Outstanding options at 31 December 2006
	Outstanding options at 1 January 2006	Options granted	Options exercised	Options cancelled	Options lapsed 16 January 2006	
2001-2006	2,290,000	–	(1,520,000)	(50,000)	–	720,000

The weighted average price of the shares on the date the options were exercised was HK\$28.50 (2006: HK\$21.35).

Details of Options granted in each year are as follows:

Year	Date of grant	Exercise period	Subscription price per share (HK\$)
2001	16.01.2001	17.01.2003-16.01.2006	13.392
2002	28.01.2002	29.01.2004-28.01.2007	8.440
2003	10.02.2003	11.02.2005-10.02.2008	4.625
2004	16.03.2004	17.03.2006-16.03.2009	13.550
2005	17.03.2005	18.03.2007-17.03.2010	18.210
2007	04.01.2007	05.01.2009-04.01.2012	22.350

## Notes to the Consolidated Financial Statements

### 30. SHARE OPTION (continued)

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 and 3 January 2007 being the business date immediately before the date on which share options were granted, were HK\$4.55, HK\$13.50, HK\$18.05 and HK\$21.90, respectively.
- (iii) The vesting period for the option grant is 24 months from date of grant.
- (iv) The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant:	4/1/2007	17/3/2005	16/3/2004	10/2/2003
Exercise price:	HK\$22.35	HK\$18.21	HK\$13.55	HK\$4.625
Expected volatility (note a):	41.76%	41.88%	46.49%	32%
Expected dividend yield (note b):	1.4%	0.95%	0.96%	2.82%
Expected life from grant date:	5 years	5 years	5 years	5 years
Risk free interest rate (note c):	3.82%	3.81%	2.52%	2.98%
Fair value per option:	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 approximate to the yield of 5-year Exchange Fund Note on the grant date.

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

## 31. 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 2007 amounting to HK\$58,000 (2006: HK\$301,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2007 charged to the consolidated income statement amounted to HK\$43,290,000 (2006: HK\$37,172,000). As at 31 December 2007, contributions of HK\$737,000 (2006: HK\$432,000) due in respect of the year had not been paid over to the schemes.

## 32. MAJOR NON-CASH TRANSACTIONS

- (a) During the year ended 31 December 2007, 3,353,013 (2006: 3,619,550) shares of HK\$0.50 each in the Company were issued at HK\$28 (2006: HK\$23.25) per share as scrip dividends.
- (b) During the year ended 31 December 2007, management service income of HK\$81,654,000 was earned as manager of Champion REIT which is required to be settled in the form of units of Champion REIT. An amount of HK\$31,384,000 had been settled through receipt of units issued by Champion REIT while the balance of HK\$50,270,000 will be settled in units of Champion REIT subsequent to the year end.

### 33. PLEDGE OF ASSETS

At 31 December 2007, 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\$17,568,000,000 (2006: HK\$14,627,292,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties;
- (b) the Group's hotel buildings and prepaid lease payments with a total carrying value of HK\$7,478,040,000 and HK\$1,775,924,000 (2006: HK\$7,164,753,000 and HK\$1,820,528,000) respectively;
- (c) the Group's owner occupied buildings situated in Hong Kong and prepaid lease payments with a total carrying value of HK\$368,283,000 and HK\$20,031,000 (2006: HK\$286,412,000 and HK\$20,197,000) respectively; and
- (d) bank deposits of HK\$323,226,000 (2006: HK\$326,465,000).

### 34. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) At 31 December 2007, 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\$166,692,000 (2006: HK\$86,191,000) of which HK\$166,147,000 (2006: HK\$85,390,000) was contracted for.
- (b) On 19 October 2007, the Group entered into a sale and purchase agreement with an independent third party for an acquisition of a hotel property situated in the United States. The transaction was completed on 8 January 2008. The consideration for the acquisition is approximately HK\$1,287,380,000. Pursuant to the sale and purchase agreement, the Group has commitment of HK\$1,287,380,000 which is not provided for in these consolidated financial statements for the acquisition of the hotel property as at 31 December 2007.

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



## 35. OPERATING LEASE ARRANGEMENTS

### The Group as lessor

Property rental income earned during the year was HK\$711,079,000 (2006: HK\$821,733,000). The properties held had committed leases typically running for the next one to six years.

Contingent rental income were 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 was HK\$17,473,800 (2006: HK\$11,785,000).

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

	2007 HK\$'000	2006 HK\$'000
Within one year	518,493	512,699
In the second to fifth years inclusive	814,485	693,189
After five years	45,692	39,731
	<b>1,378,670</b>	<b>1,245,619</b>

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 balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2007 HK\$'000	2006 HK\$'000
Within one year	3,575	2,516
In the second to fifth years inclusive	2,366	545
	<b>5,941</b>	<b>3,061</b>

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.

## Notes to the Consolidated Financial Statements

### 36. RELATED PARTY TRANSACTIONS

The Group had the following significant related party transactions during the year and balances at the balance sheet date with certain 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.

	2007 HK\$'000	2006 HK\$'000
<b>Transactions for the year ended 31 December</b>		
Trading income	7,574	1,361
Rental income	1,619	1,413
Management fee received	1,294	280
Rental charges	600	600
Cost and expenses incurred for super-structural works	43,343	106,375
Payment for renovation works	841	39
<b>Balances as at 31 December</b>		
Amounts due from associates (see note 20)	12,077	12,377
Debtors, deposits and prepayments (note a)	3,872	3,678
Creditors, deposits and accruals (note b)	287,090	327,722

Notes:

- a. The amounts represent the trade receivables from the related companies. The amounts are unsecured, interest-free and have no fixed repayment terms.
- b. The amounts represent the construction fee payable to the related companies. The amounts are unsecured, interest-free and have no fixed repayment terms.

The remuneration of the Directors and other members of key management during the year were disclosed in note 12. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

### 37. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2006 and 2007 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%
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%
Easy Wealth Limited	2 shares of HK\$1 each	Property investment	100%
Eaton Hotels Limited	2 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%

## Notes to the Consolidated Financial Statements

### 37. 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)			
Gold Epoch Investment Limited	2 shares of HK\$1 each	Property investment	100%
Grow On Development Limited	5,000 shares of HK\$1 each	Hotel ownership and operation	100%
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	2 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%
Main St. Cafe Hong Kong Company Limited	1 share of HK\$1	Restaurant operation	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%
Renaissance City Development Company Limited	2 shares of HK\$10 each	Property investment	100%
Selex Properties Management Company, Limited	2 shares of HK\$1 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%

### 37. 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)			
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	600,000 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%
– 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%

## Notes to the Consolidated Financial Statements

### 37. 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 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%
– 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 (formerly Pacific Spear 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%

\* This subsidiary was incorporated during year ended 31 December 2007.

Note: All these subsidiaries have no debt securities subsisting at the end of the year or at any time during the year.

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.

### 38. PARTICULARS OF THE PRINCIPAL ASSOCIATES

Details of the Group's principal associates at 31 December 2007 are set out below:

Indirect associates	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Group
City Apex Limited	3,500 of US\$1 each	Investment holding	23%
Recruit Holdings Limited	277,716,000 of HK\$0.2 each	Investment holding and publishing	22.53%

### 39. SUBSEQUENT EVENTS

- (1) On 19 October 2007, the Group entered into a sale and purchase agreement with a third party for an acquisition of a hotel property situated in the United States. The transaction was completed on 8 January 2008. The consideration for the acquisition is approximately HK\$1,287,380,000. The Group partly financed the acquisition with the funds held in escrow of approximately HK\$567,599,000 pursuant to statutory tax law of the United States in connection with the disposal of an investment property situated in the United States. In addition, the Group obtained a loan from a financial institution amounting to HK\$852,401,000 by entering into a loan agreement on 4 January 2008. The loan bears interest at LIBOR plus 250 basis points per annum, with initial maturity after three years from the earlier of the first day of the month after closing or 31 January 2011, and is secured by the hotel property.

### 39. SUBSEQUENT EVENTS (continued)

- (2) On 14 February 2008, The Great Eagle Company, Limited (“GE Co”), Acefield Investments Limited and Truefaith Developments Limited (all being wholly-owned subsidiaries of the Company) entered into sale and purchase agreements (the “Agreements”) with Champion REIT relating to a proposed sale of interest in the retail, carpark and certain office portions of Langham Place to Champion REIT. Pursuant to the proposed disposal, the Group has agreed to sell all the issued shares of Renaissance City Development Company Limited (“Renaissance”), Ernest Limited and Best Noble Enterprises Limited and the shareholder’s loan owing by Renaissance to GE Co (the “Disposal”) subject to, among other things, the satisfaction or waiver of conditions precedent as set out in the Agreements and the passing of the required ordinary resolution in the extraordinary general meeting of Champion REIT (the “EGM Resolution”). The EGM Resolution was passed on 16 March 2008.

Renaissance, Best Noble Enterprises Limited and Benington Limited (all being wholly-owned subsidiaries of the Company) together hold legal and beneficial title to the Langham Place and all rights and interests related thereto. Langham Place will be sold at a discount to the appraised value as determined by the independent property valuer. The agreed value of the consideration receivable in connection with the disposal of the property interest is HK\$12,500 million, which is at a discount of approximately 11.8% to the appraised value of HK\$14,170 million (details of the valuation and the Disposal are set out in the Company’s circular dated 29 February 2008). The consideration will be settled by cash together with units of Champion REIT.

- (3) Pursuant to a distribution entitlement waiver deed dated 26 April 2006, each of Top Domain International Limited, an indirect wholly-owned subsidiary of the Company, Fortune Mega Investments Limited, a wholly-owned subsidiary of Kerry Properties Limited and Wing Tai Corporation Limited has agreed to waive all or some of its entitlement to receive distributions with respect to all of the units it holds as of 24 May 2006 for the three financial years 2006, 2007 and 2008 respectively (the “Distribution Entitlement Waiver”).

On 14 February 2008, Eagle Asset Management (CP) Limited (a wholly-owned subsidiary of the Company), HSBC Institutional Trust Services (Asia) Limited and each of the Distribution Entitlement Waiver parties, entered into a deed of amendment of Distribution Entitlement Waiver deed, whereby the parties agreed to terminate the undertakings of Top Domain International Limited, relating to the distribution for the year from 1 January 2008 to 31 December 2008, effective as of and conditional upon completion of the Disposal. Payment made by Top Domain International Limited in respect of the amendment of the Distribution Entitlement Waiver Deed is initially estimated to be HK\$96.9 million subject to adjustment as more particularly set out in the Company’s circular dated 29 February 2008.



## Appendix I List of Major Properties

### Properties held for long-term investment

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
<b>ON LAND UNDER LONG LEASE</b>			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	10,000	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%
<b>ON LAND UNDER MEDIUM-TERM LEASE</b>			
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 8 Arygle Street, Mongkok, Kowloon, Hong Kong	Commercial/Office	1,293,000	100%
Langham Place Hotel 555 Shanghai Street, Mongkok Kowloon, Hong Kong	Hotel	508,000	100%

## Appendix I List of Major Properties

### Properties held for long-term investment (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
<b>ON FREEHOLD LAND</b>			
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%
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%

## Properties held for long-term investment (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
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%

## Appendix II Five Years' Financial Summary

	For the year ended 31 December				2007 HK\$'000
	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	
<b>RESULTS</b>					
Revenue	2,522,965	2,830,822	3,521,201	3,772,253	4,182,039
(Loss) Profit before tax	(77,218)	4,037,820	13,408,911	602,198	4,891,266
Income taxes	(128,755)	(746,011)	(2,323,495)	(194,674)	(992,988)
(Loss) Profit for the year	(205,973)	3,291,809	11,085,416	407,524	3,898,278
Attributable to:					
Equity holders of the Company	(173,607)	3,103,952	10,028,139	405,506	3,898,273
Minority interests	(32,366)	187,857	1,057,277	2,018	5
	(205,973)	3,291,809	11,085,416	407,524	3,898,278
(Loss) Earnings per share					
Basic	HK\$(0.30)	HK\$5.28	HK\$16.93	HK\$0.68	HK\$6.47
Diluted	HK\$(0.30)	HK\$5.27	HK\$16.89	HK\$0.68	HK\$6.46
<b>ASSETS AND LIABILITIES</b>					
Total assets	29,572,019	35,990,283	48,497,487	33,198,754	38,269,946
Total liabilities	(17,411,789)	(20,492,188)	(22,243,494)	(13,149,819)	(13,188,568)
	12,160,230	15,498,095	26,253,993	20,048,935	25,081,378
Equity attributable to equity holders of the Company	11,490,462	14,640,470	24,339,091	20,048,647	25,081,378
Minority interests	669,768	857,625	1,914,902	288	–
	12,160,230	15,498,095	26,253,993	20,048,935	25,081,378

# Shareholders' Calendar

- **Closure of Transfer Books:**
  - from 15 May 2008 to 23 May 2008 (both days inclusive)
- **2008 Annual General Meeting:**
  - 23 May 2008
- **Dividends:**
  - Interim : HK15 cents per share  
Date of Payment : 25 October 2007
  - Final : HK35 cents per share  
– cash dividend with scrip option  
Date of Payment : 26 June 2008



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