Great Eagle Holdings Limited
鷹君集團有限公司

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

ANNUAL REPORT 2008
二零零八年年報

Building on Solid Foundations

Group Profile

The Great Eagle Group is one of Hong Kong's leading property and hotel companies. Headquartered in Hong Kong, the Group develops, invests in and manages high quality office, retail, residential and hotel properties in Hong Kong, North America and Europe. Its principal holdings include a 49% interest (as at 31 December 2008) in Champion Real Estate Investment Trust, which owns 1.56 million square feet of Grade-A commercial office space in Citibank Plaza in the Central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. In the United States, the Group owns three office buildings with a total floor area of 534,000 square feet. The Group is also active in property management and maintenance services as well as building materials trading.

The Group's extensive hotel portfolio currently comprises nine properties with over 5,000 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 was founded in 1963 and The Great Eagle Company, Limited was its holding company, whose shares were listed on the Hong Kong Stock Exchange in 1972. The Group underwent a re-organisation in 1990 and Great Eagle Holdings Limited, a Bermuda-registered company, became the listed company of the Group in place of The Great Eagle Company, Limited.

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Corporate Information

DIRECTORS

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

FINANCE COMMITTEE

LO Ka Shui
LO Kai Shui
KAN Tak Kwong

COMPANY SECRETARY

WONG Mei Ling, Marina

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

JSM
Clifford Chance
Appleby

PRINCIPAL BANKERS

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

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Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRARS

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STOCK CODE

41

公司資料

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*（總經理）*

非執行董事
* *獨立非執行董事*

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

財務委員會

羅嘉瑞
羅啟瑞
簡德光

公司秘書

黃美玲

核數師

德勤 • 關黃陳方會計師行

法律顧問

孖士打律師行
高偉紳律師行
Appleby

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
恆生銀行有限公司
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股份代號

41

Financial Highlights
財務摘要

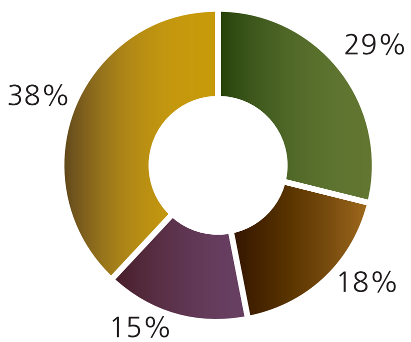
For the year ended 31 December 2008
截至2008年12月31日止年度

	2008 HK$ (million) 港元（百萬）	2007 HK$ (million) 港元（百萬）	Changes 變動
Revenue 收益	4,750	4,182	+13.6%
Statutory Profit attributable to equity holders 股權持有人應佔法定溢利	71.7	3,898	–98.2%
Profit from core business after tax 核心業務除稅後溢利	1,150	896	+28.3%
Final Dividend (per share) 末期股息（每股）	HK$0.35	HK$0.35	–
Interim Dividend (per share) 中期股息（每股）	HK$0.20	HK$0.15	+33.3%
Special Interim Dividend (per share) 特別中期股息（每股）	HK$2.70	–	–
Total Dividend (per share) 股息總額（每股）	HK$3.25	HK$0.50	+550.0%
Net Gearing 淨槓桿比率	6%	22%	

EMPLOYMENT OF ASSETS 資產運用

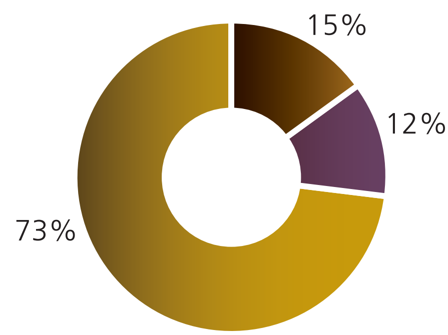
Assets Employed 資產運用

Total Assets HK$24,403 Million
資產總值244億3百萬港元



- Hotels 酒店
- Investment Properties 投資物業
- Investment in Securities 證券投資
- Other Assets 其他資產

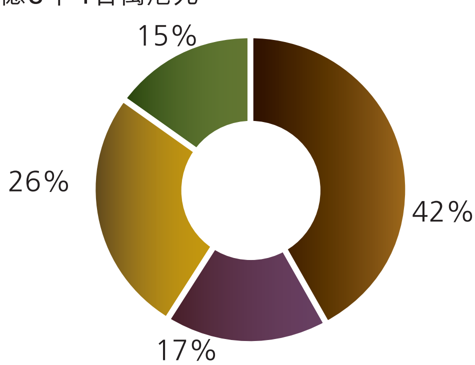
Financed By 代表



- Non-current Liabilities 非流動負債
- Current Liabilities 流動負債
- Equity Attributable to Equity Holders of the Parent 母公司股權持有人應佔權益

Profit From Operations 經營溢利

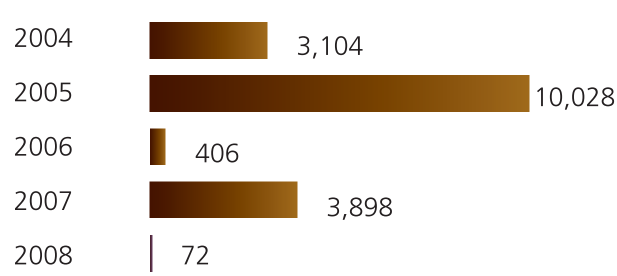
HK$1,284 Million
12億8千4百萬港元



- Hotels Operation Income 酒店業務收益
- Rental Income 租金收益
- Investment Income 投資收益
- Other Income 其他收益

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 百萬港元




ENTERTAINMENT
INNOVATIVE MARKETING
LANGHAM PLACE
HIGH FOOT TRAFFIC

Champion REIT

Retail and Entertainment Showcase

Champion REIT

Premium Commercial Property

Contribution from the Champion REIT increased substantially by 284% year-on-year to HK$812 million in 2008, the growth came primarily on the back of higher distribution income from higher rental income at Citibank Plaza, along with higher asset manager fee. Agency income increased the least, but still up 79% year-on-year in 2008.

With the additional rental income contribution from the Langham Place Retail Mall and Office Tower from June 2008, rental income from the Champion REIT should continue to increase in 2009. On top of that, the more resilient income nature of the Retail Mall should help to diversify and stabilize the future income stream from the Champion REIT.


HIGH QUALITY PROPERTY
REPUTABLE TENANTS
STRATEGIC LOCATIONS

Langham Hotels

Luxury Redefined

In 2008, major renovations were being carried out to enhance the Group's hotel portfolio, including that at the Group's flagship hotel, the Langham London. These capital improvement works undertaken represent important milestones toward growing and creating long term value for the Group's shareholders. In particular, the renovation at Langham London was an important one that would help to anchor the Langham Brand.


Langham
INTERNATIONAL PRESENCE
HIGH-END LUXURY HOTEL
SUPERB SERVICE
AWARD WINNING HOTELS

Chairman's Statement

"Having come into 2009 with a healthy capital structure, the Group's financial strength will position it to withstand the fallout of the ongoing financial crisis.

We will continue to build the Langham Hotel brand, but we will be very disciplined in our approach of only investing in projects that meet our high thresholds on quality and return."

OVERVIEW

The Group's interests in investment properties in Hong Kong, through its 49% holding in Champion REIT have continued to generate significant income to the Group in 2008. The Group has received total distributions of HK$464 million from the REIT during the calendar year 2008 (2007: HK$85 million).

After enjoying many quarters of robust economic growth, the spread of a synchronized global downturn has started to impact the Hong Kong economy in the latter part of 2008. Correspondingly, the Group's hotel business has witnessed a pull back in demand and revenues have declined. In fact the overseas hotels had started feeling the adverse impact earlier in 2008.

Core profit attributable to shareholders increased 28.3% year-on-year to HK$1,150 million for 2008. The growth was driven primarily by rising income from Champion REIT and lower financial expense.

Asset enhancement and growing footprint at our Hotel portfolio

In 2008, major renovations were being carried out to enhance the Group's assets, including that at the Group's flagship hotel, the Langham London. These capital improvement works undertaken represent important milestones toward growing and creating long term value for the Group's shareholders. In particular, the renovation at Langham London was an important one that would help to anchor the Langham Brand. It was successfully carried out in phases, which helped to avoid a discontinuity of guest arrivals, and at the same time, minimize disruption to the hotel's operation.

Meanwhile, some new hotels in the pipeline, which are all under pure hotel management contracts with no equity stake, are set to soft open from the summer of 2009. However, several hotel developers that we have contracted for management have stopped or delayed their projects due to the financial crisis. All in all, the upgraded hotels and an expansion in global footprint will further strengthen the Group's hotel brand.

Revenue from Hotel Division, excluding revenue contribution from the newly acquired Pasadena hotel, dropped by 6.7% year-on-year to HK$2,733 million in 2008.

EBITDA from the Hotel Division dropped by 26% year-on-year to HK$657 million in 2008, mainly due to rebranding cost at Langham Pasadena and generally weaker performance across all locations.

Significant increase in income from the Champion REIT

Contribution from the Champion REIT increased substantially by 284% year-on-year to HK$812 million in 2008, the growth came primarily on the back of higher distribution income from higher rental income at Citibank Plaza, along with higher asset manager fee. Agency income increased the least, but still up 79% year-on-year in 2008.

With the additional rental income contribution from the two newly added properties from June 2008, income from the Champion REIT should continue to increase in 2009. On top of that, the more resilient income nature of the newly added properties should help to diversify and stabilize future income stream from the Champion REIT.

Investment property portfolio

An upward trend in rental rates at the Group's rental income portfolio throughout 2008 helped to boost rental income across our investment properties in Hong Kong. Despite increasing pressure on rental and occupancy rates from the fourth quarter of last year, this was not enough to offset the growth achieved from the first three quarters of the year.

Bearing in mind that the Langham Place Mall and Office Tower, which contributed 61% of the gross rental income in 2007, were spun off in June 2008. As a result, gross rental income for the Group actually fell by 33% year-on-year in 2008. Going forward, the performance of the Langham Place Office Tower and Retail Mall will be reflected from the distribution received from our 49%-owned Champion REIT.

Strong financial position

As at the end of 2008, cash at hand amounted to HK$3,393 million, partially due to the successful asset injection of our two properties into the Champion REIT in June 2008.

Net debt increased in the second half of 2008, to stand at HK$1,033 million as at the end of 2008, compared to a net cash position as at June 2008, largely driven by the special dividends paid out. Net gearing stood at 6% as at the end of 2008.

Our strong cash position, coupled with limited capital expenditure commitment, should shelter us from the fallout of the global crisis.

BUSINESS REVIEW

1 HOTELS

With the additional revenue contribution from the Langham Pasadena, which was acquired on 8 January 2008, revenue from the hotel business increased 5% year-on-year to HK$3,063 million for 2008. Revenue however would have dropped by 6.7% year-on-year to HK$2,733 million, if we exclude contribution from the newly acquired hotel.

EBITDA dropped by 26% year-on-year to HK$657 million, on rebranding cost associated with Langham Pasadena and generally lowers operating margins at other hotels.

The Hotel Division will continue to look for suitable locations with focus on Mainland China, South East Asia and the Middle East to strengthen our global presence.

The Langham, Hong Kong

After achieving a strong room rate growth in the first half of 2008, the negative impact from the global downturn started to impact its business from the fourth quarter of 2008. Together with the interruption from the room refurbishment programme, revenue for the hotel dropped slightly in the fourth quarter of 2008, compared with the same period last year. Nonetheless, the hotel managed to grow average room rate by 15% over the previous year.

For the year 2008, the hotel achieved an average occupancy of 81% (2007: 87%) and average room rate of HK$1,742 (2007: HK$1,516).

The Langham Place, Hong Kong

Positive results were delivered for the year despite gradual slowdown in the fourth quarter of 2008 amid a tougher economic environment. Good increases in food and beverage revenue, particularly from wedding and conferences, helped drove revenue for the hotel.

For the year 2008, the hotel achieved an average occupancy of 84% (2007: 89%) and average room rate of HK$1,442 (2007: HK$1,297).

Eaton Hotel, Hong Kong

Challenging economic conditions in the local market affected hotel's operating results for the year. The hotel capitalized on its renovated guestrooms by offering higher rates to frequent individual travelers, which helped room revenue growth. The food and beverage business was affected by catering with fewer wedding events, which was compensated by good corporate meeting and conference business. Overall, revenue from food and beverage increased very slightly from the previous year.

For the year 2008, the hotel achieved an average occupancy of 89% (2007: 90%) and average room rate of HK$921 (2007: HK$857).

The Langham, London

The main refurbishment to the guestrooms and public areas commenced in January 2008 and continued throughout the whole year. During the refurbishment period, only 162 rooms (out of a total of 425 rooms) were available to use. The disruption from the extensive works, and the impact of the global market turmoil inevitably affected the hotel's operating results. The renovation work is scheduled to be completed in mid-2009, and after the renovation, the number of rooms will be reduced to 382 rooms, as some of the rooms are combined to create bigger rooms.

For the year 2008, the hotel achieved an average occupancy of 68% (2007: 72%) and average room rate of £243 (2007: £188). These operating statistics are based on the number of rooms available for sale over 2008.

Given such a significant uplift to the overall building, even though the global economy is expected to remain weak in 2009, the launch of the renovated rooms should still be able to command a premium over the historic room rates achieved. The hotel is set to soft open from the second quarter of 2009 and a full launch is targeted in mid-2009. In 2009, we expect the Langham London to resume profit contribution to the Group.

The Langham, Boston

The global financial and economic crisis severely affected this financial district hotel's business results, revenue from the hotel dropped by 15% year-on-year to US$ 28.9 million. Slower corporate activity was evident with cutbacks in travel expenditure and reduced citywide events, which hampered business results. The opening of the Spa in June 2008, however, gave the hotel a better quality product to enhance the guest experience.

For the year 2008, the hotel achieved an average occupancy of 65% (2007: 74%) and average room rate of US$250 (2007: US$249).

The Langham, Melbourne

The hotel achieved steady results during the year although the negative market sentiments began to affect business activity during the last quarter of 2008. Food and beverage revenue was supported by stable restaurant sales throughout the year with double-digit growth against the previous year.

For the year 2008, the hotel achieved an average occupancy of 76% (2007: 82%) and average room rate of A$264 (2007: A$232).

The Langham, Auckland

The hotel witnessed a noticeable slowdown in revenue growth during the fourth quarter of 2008 due to the economic downturn. Declines were seen in corporate business, which affected both rooms and food and beverage. The re-opening of the Health Club in December 2008 enhanced guest facilities, and the new Chuan Spa, scheduled for opening in the second quarter of 2009, will offer one of the most luxurious wellness facilities in the city.

For the year 2008, the hotel achieved an average occupancy of 68% (2007: 74%) and average room rate of NZ$174 (2007: NZ$162).

The Langham, Pasadena

The turbulent economic environment combined with the hotel's re-branding exercise have resulted in operating losses for the past year. Brand building initiatives were carried out throughout 2008 and will continue in 2009. Renovation of the signature restaurant and other food and beverage outlets are planned for 2009 to align with the Langham brand standards and enhance the guest facilities.

As at the end of 2008, impairment charges, which is net of tax amounts to HK$121.6 million was written off against the original cost of the Langham Pasadena. Given the deterioration in the economic environment, and operating losses that have been incurred for the hotel in 2008, the Group believed it should take a prudent approach to write down the fair value of the hotel, which was acquired in January 2008. The acquisition was made after we have sold one of our office properties in San Francisco, and the re-investment of the proceeds within the United States was considered tax effective, and have resulted in certain tax advantages for the Group.

For the year 2008, the hotel achieved an average occupancy of 57% and average room rate of US$244.

Delta Chelsea Hotel, Toronto

Modest revenue growth was posted for the year although average rates remained stable, reflecting the gradual slowdown in the economy. Overall performance was marginally ahead of that achieved in the previous year.

For the year 2008, the hotel achieved an average occupancy of 73% (2007: 72%) and average room rate of C$139 (2007: C$137).

2 INVESTMENT IN THE CHAMPION REIT

On 12 March 2009, the Champion REIT reported its 2008 full year results, and declared a final distribution of HK14.1 cents per unit for the second half of 2008.

Due to the Group's accounting policy of recognizing distribution income from the Champion REIT at the date of payment of the distribution, the income statement of the Group for a six-month period would reflect the distribution declared by the Champion REIT for the immediately preceding six-month period. Therefore the distribution declared by the Champion REIT for the second half of 2008 will instead be booked in the Group's first half results for 2009.

In 2008, distribution from the Champion REIT increased by 450% year-on-year to HK$464 million, the increase was largely driven by positive rental reversion at Citibank Plaza. Manager's fee, which included a one-time acquisition fee for the new properties, increased 211% year-on-year to HK$285 million.

Citibank Plaza

During 2008, both spot rentals (the rental rate applicable to new leases) and passing rentals (the average rental rate of existing tenancies) at Citibank Plaza continued to see an improvement. Spot rental rates achieved at Citibank Plaza were around HK$120 per sq. ft in the fourth quarter of 2008, 20% higher than that at beginning of the year. Occupancy in Citibank Plaza at year end 2008 remained at a high level of 97.9%. During the year, the rent rates of about a third of the leases in Citibank Plaza by floor area were marked to market at higher levels through the renewal or re-letting of expired tenancies and rent reviews on existing tenancies. As a result, the passing rent rates saw a significant increase from HK$67.06 per sq. ft. at the beginning of the year to HK$87.46 per sq. ft. in December 2008.

Langham Place Office Tower

Langham Place's reputation as a proven quality development and its superior subway location have allowed the Office Tower to compete effectively for tenants, and the year-end occupancy rate was 98.3%. The spot rents for office space at Langham Place were maintained at between HK$32 to HK$40 per. sq. ft. in the second half of 2008 with increased support from location-sensitive lifestyle sector tenants.

Langham Place Mall

2008 was a year which saw Langham Place Mall firmly entrenching itself as one of the most popular shopping centres in Kowloon. The Mall remained almost fully let throughout the period and the year-end occupancy rate was 97.7% while the number of visitors jumped by 28% year-on-year in 2008. Compared to the same period last year, there was a 12% rise in the average monthly gross sales per square foot at the Mall for the last six months of 2008. 16% of leases by floor area was rolled over during this period, and the passing rent rate of the mall has increased to HK$88.90 per lettable sq. ft. as of December 2008.

3 COMMERCIAL PROPERTIES

Great Eagle Centre

Despite signs of weakening towards the end of 2008, gross rental income grew by 11.8% year-on-year from HK$82.2 million to HK$91.8 million in 2008. Positive rental reversion was the key driver for the increase, as achieved rental rates continued to surpass those of the expiring leases. Correspondingly, net rental income rose by 14.8% year-on-year from HK$77.4 million to HK$88.8 million.

As at the end of 2008, occupancy rate at Great Eagle Centre stood at 93.6%, which was lowered from the 99.3% as at the end of 2007, but improved from the 91.9% as at mid 2008.

Eaton House Furnished Apartments

Gross rental income increased 4.7% year-on-year to HK$42.1 million in 2008. However, demand for serviced apartments slowed significantly over the fourth quarter of 2008, on a consecutive basis, gross rental income from the furnished apartment in the second half was actually lower than that achieved during the first half of 2008.

With the roll out of the renovated rooms and a surge in demand for quality serviced apartments, the Group enjoyed growth in both room and occupancy rate in the first half of the year. However, the situation reversed dramatically in the second half of 2008, especially in the fourth quarter, when a lack of new arrivals suppressed occupancy rate to 66% as at end of 2008.

The outlook for the serviced apartment market is expected to be more challenging, as competition will intensify with over 900 units to be launched in 2009, coupled with low levels of demand, we expect vacancies to rise over 2009.

United States commercial properties

Excluding the rental income from 150 Spear Street, which was sold in December 2007, gross rental income from the three office properties in the United States came in flat on a year-on-year basis to HK$117 million in 2008.

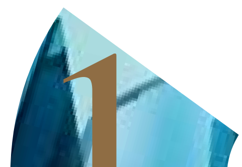
Longer than expected down time between leases was the key factor contributing to the lackluster performance in 2008. With higher occupancy as at end of 2008, and a below historical average number of leases up for expiry in 2009, an overall higher occupancy rate is anticipated for 2009, and therefore, we expect a steady growth in gross rental income in 2009.

Alongside the new letting of spaces in 2008, one-off re-tenanting cost was incurred, and therefore, combined net rental income from the three US office properties dropped by 19.8% year-on-year in 2008.

4 TRADING

In 2008, revenue of our trading division increased by 53.5% year-on-year to HK$172 million, the increase was due to business expansion to trade building materials in the Macau market which has markedly deteriorated in the last quarter of 2008. Despite the increase in revenue, increased competition has led to lower operating margin. Given the increasingly deteriorating global and local economy and other factors, the Group felt it should take a prudent approach and has made a provision of HK$56 million against ageing debtors.

FINANCIAL REVIEW



1 DEBT

Gross debts denominated in HK dollars amounted to HK$1,405 million as of 31 December 2008. Our foreign currency gross debts as of 31 December 2008 amounted to the equivalent of HK$3,021 million, of which the equivalent of HK$556 million, or 18.4% of our foreign currency debts, was on fixed-rate basis. Net of cash and bank deposits totalling the equivalent of HK$3,393 million, our consolidated net debt outstanding as of 31 December 2008 was HK$1,033 million, a decrease of HK$4,577 million from that of HK$5,610 million as of 31 December 2007.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2008 and the depreciated costs of the Group's hotel properties, amounted to HK$17,975 million as of 31 December 2008. The net assets value at 31 December 2008 represents a drop of HK$7,106 million compared to the value of HK$25,081 million as of 31 December 2007, which is primarily due to the pay out of a special dividend as well as a non- cash mark-to-market diminution in fair value of the Group's long-term investment in the Champion REIT. The resulting gearing ratio at 31 December 2008 was 6%.

2 FINANCE COST

The net finance cost of HK$135.5 million incurred in 2008, represents a decrease of HK$286.1 million from the HK$421.6 million for the year, as a result of the decrease in borrowings after receipt of the proceeds from the disposal of the Langham Place Office Tower and Mall, interest cover for 2008 was 11.79 times, as compared with 3.54 times for 2007.

3 LIQUIDITY AND DEBT MATURITY PROFILE

As of 31 December 2008, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK$4,725 million.

The majority of our loan facilities is medium term in nature and is secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 31 December 2008:

Within 1 year	37.7%
1-2 years	3.4%
3-5 years	58.9%

4 PLEDGE OF ASSETS

At 31 December 2008, properties of the Group with a total carrying value of approximately HK$12,486 million (2007: HK$27,210 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries. The drop in value of pledged assets is primarily due to the disposal of the Langham Place Office Tower and Mall, which the related debt and credit facilities were subsequently paid down and terminated.

5 COMMITMENT & CONTINGENT LIABILITIES

As at 31 December 2008, the Group has authorised capital expenditures not provided for in these financial statements amounting to approximately HK$264 million (2007: HK$167 million) of which approximately HK$263 million (2007: HK$166 million) was contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 31 December 2008.

OUTLOOK

The financial crisis continues to ravage the global economy, leading it into one of the most severe downturn over the past decades. Visibility on the duration and depth of the current economic global downturn remains limited, as well as its impact on the global and Hong Kong economy. We will be facing unprecedented challenges in 2009, as the contagious effects of the global economy slowdown may spreads further. Confidence is generally lacking and it will be some time before liquidity in the lending market improves significantly.

As corporate activities slow down, and demand for office space has decreased significantly, there will inevitably be pressure on vacancy and rental rate for office properties in Hong Kong in the foreseeable term. The outlook for properties in the Central business district will be particularly unclear as redundancy in the banking industry increases. That however should have a limited impact on the performance of our investment in the 49%-owned Champion REIT in 2009. The full-year contribution of income from the Langham Place Mall and Office Tower and the relative resilience of retail leasing activities there should make up for the potential earnings softness at the Citibank Plaza offices.

It is noted that Champion REIT has amended its distribution policy in March 2009 which allows it to reduce its payout from 100% to 90% of its total distributable income. Should Champion REIT reduce its distribution, it will affect the dividend income of the Group accordingly.

As for the Group's hotel portfolio, a deteriorating global economy will further dampen demand for both leisure and corporate travels. Continuing the negative trends experienced in the fourth quarter of 2008, further deterioration in market conditions are seen thus far this year, and operating results have weakened significantly in January and February in all markets that we operate in. Controlling costs and rationalizing capital spending will be a priority for our hotel business in 2009. In the meantime, we will continue to prudently allocate resources to build the Langham brand.

We expect our three hotels in Hong Kong, which account for more than 60% of the Group's hotel profit, to perform relatively better than the other international hotels, given an anticipated higher volume of banqueting business to partially offset lower demand for rooms. The renovated rooms at Langham Hong Kong, as well as those at Eaton Hotel will offer some buffer against room rates decline. However, operating profit is expected to drop.

After more than a year of renovation work at Langham London, full launch of the rooms will be in mid- 2009, and we should expect this hotel to make profit contribution in 2009. Other overseas hotels are expecting to see declining yield as the impact of the downturn will materialize throughout 2009.

With our very strong balance sheet and low financial gearing, we are well prepared to face the economic challenges ahead. We will maintain a high degree of financial discipline and will take actions where necessary in anticipation of changing market conditions.

LO Ka Shui
Chairman and Managing Director

Hong Kong, 23 March 2009

Biographical Details of Directors and Senior Management

DIRECTORS

Dr. LO Ka Shui

aged 62, has been a member of the Board since 1980 and is the Chairman and Managing Director of the Company and the Non-executive Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research and a Board Member of the Hong Kong Airport Authority. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 29 years' experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie and a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Mr. LO Kai Shui

aged 49, has been a member of the Board since 1984 and is the Deputy Managing Director of the Company. Mr. Lo is also a Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and the founder of Sun Fook Kong Group Limited. He has more than 26 years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors. Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a son of Madam Lo To Lee Kwan and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Madam LO To Lee Kwan#

aged 89, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Mr. CHENG Hoi Chuen, Vincent*

aged 60, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994. He is the Chairman of The Hongkong and Shanghai Banking Corporation Limited and an Executive Director of HSBC Holdings plc. He is a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, Vice Chairman of the China Banking Association, a member of the National Committee of the 11th Chinese People's Political Consultative Conference ('CPPCC') and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He 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 56, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1995. He is Deputy Vice-Chancellor and Professor of Economics at the University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research, Asia Pacific Economic Co-operation Study Centre, and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region.

Mrs. LEE Pui Ling, Angelina*

aged 60, was appointed as an Independent Non-executive Director of the Company in 2002. She is a practising solicitor in Hong Kong and a partner of the firm of solicitors, Woo, Kwan, Lee & Lo. She is also a Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited. She is active in public service and is a Non-executive Director of the Securities and Futures Commission, a Member of the Takeover and Mergers Panel and Takeovers Appeal Committee, and a Non-executive Director of the Mandatory Provident Fund Management Board. She has a Bachelor of Laws Degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. LO Hong Sui, Antony

aged 67, is an Executive Director of the Company. He has been a Director of the Group since 1967. He has been actively involved in property development, construction and investment for more than 40 years. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie and a younger brother of Madam Law Wai Duen.

Madam LAW Wai Duen

aged 72, is an Executive Director of the Company. She has been a Director of the Group since 1963. She graduated from the University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for more than 44 years. She is a daughter of Madam Lo To Lee Kwan and an elder sister of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Mr. LO Hong Sui, Vincent#

aged 61, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is a diversified group engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of Shui On Construction And Materials Limited and Shui On Land Limited – Shui On's flagship property company in the Chinese Mainland established in 2004, and the Chairman of China Central Properties Limited. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and Dr. Lo Ying Sui, Archie and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Dr. LO Ying Sui, Archie#

aged 56, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine Degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent.

Mr. KAN Tak Kwong

aged 57, is an Executive Director and the General Manager of the Company. Mr. Kan joined the Group in 1981 and was appointed a Director in 1988. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has more than 32 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

Non-executive Directors

* *Independent Non-executive Directors*

SENIOR MANAGEMENT

Mr. TONG Chun Wan

aged 61, Assistant Director, he is also the Managing Director of The Great Eagle Development and Project Management Limited, joined the Group in 1983. He graduated from the University of Hong Kong with a Bachelor's Degree in Architectural Studies and a Bachelor's Degree in Architecture. He is a registered architect with the Architect's Registration Board, Hong Kong, and obtained PRC Class 1 Registered Architect Qualification. Mr. Tong has over 30 years' experience in property development and project management in Hong Kong, Mainland China and overseas.

Mr. MOK Siu Bun, Terry

aged 55, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 27 years' experience in accounting and finance in the real estate industry.

Mr. LEUNG Tat Kai, Henry

aged 55, Director and the General Manager of The Great Eagle Properties Management Company, Limited, joined the Group in 2002. He is responsible for the management of the Group's property portfolio. Mr. Leung has a Bachelor's Degree in Laws and is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom. He has over 20 years' experience in the real estate industry and property management.

Mr. SO Yiu Wah, Eric

aged 65, Hotel Executive Vice President, rejoined the Group in 2002. He has extensive experience of international hotel management over 37 years.

Mr. Brett BUTCHER

aged 49, is the incoming Chief Executive Officer of the Group's Hotel Division from 1 April 2009. Mr. Butcher joined the Group in 2002 and has held previous positions of Senior Vice President of Sales, Marketing and Brands for Langham Hotels International and Senior Vice President Langham Place Hotels Operations. He holds a Bachelor's Degree in Business (Hospitality Management) and has extensive experience in both hotel operations and sales and marketing. His hotel career now spans 29 years and has covered assignments in Asia, the Pacific and North America.

Mr. Helmut KNIPP

aged 66, Senior Vice President – Development of the Group's hotels division, joined the Group in June 2006. He is based at the division's Hong Kong head office of Langham Hotels International ("LHI") and spearheads the development team to extend LHI's hotels' business ventures worldwide. His distinguished international hospitality career spans three continents with more than 41 years of experience at world renowned hotels, resorts and clubs in Europe, North-America, Asia and the Caribbean. Prior to joining the Group, he was Managing Director of CCA International Limited ("CCA"), Hong Kong, managing 28 clubs and resorts in 14 countries in Asia and Europe and handling business development in China and the Asia Pacific region and, at the same time, was also Executive Director of Palmerston Hotels & Resorts, the hotel brand he helped launch for CCA. Mr. Knipp achieved his diploma in hotel management and administration in Germany.

Mr. HO Hon Ching, Barry

aged 46, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor and a Certified Fraud Examiner in USA. He has extensive experience in accounting, statutory auditing and internal auditing.

Mr. WONG Chi Wai, Chris

aged 40, Head of Legal, joined the Group in March 2006. He has a Bachelor's Degree in Laws from the University of Hong Kong and a Bachelor's Degree in PRC Laws from the Peking University. Before joining the Group, he had over 11 years' experience in corporate finance and general corporate work gained in different international law firms.

Mr. CHU Shik Pui

aged 47, Senior Tax and Investment Manager primarily responsible for the Group's taxation and investment matters, joined the Group in 1989. He is a fellow of The Chartered Association of Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He is also a full member of the Society of Registered Financial Planners. Mr. Chu was previously the Group's Assistant Financial Controller and has 24 years' experience in taxation, finance and accounting.

Mr. LU Ning, Michael

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

Ms. WONG Mei Ling, Marina

aged 42, was appointed the Company Secretary of the Company in July 2008 in charge of the Company Secretarial Department of the Group. Ms. Wong is a Fellow both of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and is a holder of a Master's Degree in Laws, a Master's Degree in Business Administration and a Bachelor of Arts Degree in Accountancy respectively. Ms. Wong had over 16 years' post qualification working experience in company secretarial practice. Prior to joining the Company in 2008, Ms. Wong was the Company Secretary of a major red chip listed company in Hong Kong, where she obtained extensive working experience of China business.

Corporate Governance Report

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2008, the Company has complied with all the code provisions and, where appropriate, adopted some of the recommended best practices as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Main Board Listing Rules throughout the year under review, except the following deviations from certain CG Code provisions in respect of which remedial steps for compliance have been taken or considered reasons are given below:

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

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

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

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

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

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

BOARD OF DIRECTORS

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

Composition

The Board currently comprises 11 members, three of whom are Independent Non-executive Directors. On 9 December 2008, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie were re-designated from Executive Directors to Non-executive Directors.

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

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

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

Independent Non-executive Directors:
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim
Mrs. LEE Pui Ling, Angelina

* *Re-designated from Executive Director to Non-executive Director with effect from 9 December 2008*

BOARD OF DIRECTORS (Continued)

The Board comprises a balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) that can ensure there is adequate independent judgment for the running of the Company's business. The members of the Board comprise experts from various professions with extensive experience. One of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. In all corporate communications, the Company had disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of Directors and Senior Management are set out on pages 23 to 27 of this Annual Report and published in the Company's website (www. GreatEagle.com.hk).

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

Independence of Independent Non-executive Directors

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

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

Board Meetings

The Board meets regularly to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. Four full board meetings were held during the financial year ended 31 December 2008. All Directors are given the opportunity to include any matter in the agenda for each regular Board Meeting. At least 14 days formal notice of a Board meeting is given to all Directors, who are given an opportunity to put matters for discussion on the agenda. Directors have direct access to the Company Secretary who is responsible to the Board for ensuring that Board procedures, and all applicable rules and regulations, are followed.

BOARD OF DIRECTORS (Continued)

The attendance of individual Directors at the Board Meetings held in 2008 is set out below:

Directors	Board Meetings attended/ Board Meetings held
Executive Directors	
LO Ka Shui *(Chairman and Managing Director)*	4/4
LO Kai Shui *(Deputy Managing Director)*	2/4
LO Hong Sui, Antony	4/4
Madam LAW Wai Duen	4/4
KAN Tak Kwong *(General Manager)*	4/4
Non-executive Directors	
LO TO Lee Kwan	-/4
LO Hong Sui, Vincent	2/4
LO Ying Sui, Archie	3/4
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	4/4
WONG Yue Chim, Richard	4/4
LEE Pui Ling, Angelina	4/4
Average Attendance Rate	79.55%

Directors' and Officers' Insurance

During the year ended 31 December 2008, the Company has arranged appropriate Directors' and Officers' liabilities insurance cover in respect of legal action against its Directors and officers.

Directors' Securities Transactions

During the year, the Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and relevant employees of the Company ("Code of Conduct for Securities Transactions") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Directors' interests as at 31 December 2008 in the securities of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance) are set out on pages 39 to 40 of this Annual Report.

BOARD OF DIRECTORS (Continued)

Written confirmations have been received from all Directors and relevant employees that they have complied with the required standards set out in the Code of Conduct for Securities Transactions for the year ended 31 December 2008.

Delegation

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

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules, an Audit Committee was established in 1999. While the Board is responsible for preparing the financial statements and the external auditor have a primary responsibility for auditing and reporting on the financial statements, the principal duties of the Audit Committee are as follows:

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

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

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

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

As announced by the Stock Exchange of Hong Kong Limited in November 2008, the Code Provisions of the CG Code regarding internal controls have been expanded to make specific references to the responsibility of the Directors to conduct an annual review of the adequacy of staffing of the financial reporting functions and the oversight role of the Audit Committee. Accordingly, the terms of reference of the Audit Committee of the Company have been revised to comply with the aforesaid requirement.

AUDIT COMMITTEE (Continued)

The Audit Committee currently 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 a former partner of the Company's external auditor.

During the financial year ended 31 December 2008, two meetings of the Audit Committee were held on 2 April 2008 and 16 September 2008 respectively. At these meetings, the Committee reviewed, among others, the Company's 2007 Annual Results, 2008 Interim Results, the Company's financial reporting system and internal control procedures.

The attendance of individual members at the Audit Committee Meetings held in 2008 is set out below:

Members of Audit Committee	Meetings attended/ Meetings held
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	2/2
WONG Yue Chim, Richard	2/2
LEE Pui Ling, Angelina	2/2
Average Attendance Rate	100%

REMUNERATION COMMITTEE

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

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

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

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

REMUNERATION COMMITTEE (Continued)

The Remuneration Committee currently 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 2008, a meeting of the Remuneration Committee of the Company was held on 4 January 2008. All members of the Remuneration Committee were present at the meeting. At this meeting, the Committee considered and approved, among others, the following:

(a) the proposal on 2008 general salary revision of and discretionary bonus distribution to the employees of the Group.

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

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

NOMINATION COMMITTEE

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

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

The Nomination Committee 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. No meeting of the Nomination Committee was held in the financial year ended 31 December 2008.

FINANCE COMMITTEE

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

AUDITOR'S REMUNERATION

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

	31 December 2008 HK$'000	31 December 2007 HK$'000
Services rendered		
Audit services	**5,340**	5,180
Non-audit services		
Taxation services	**709**	741
Other services	**2,127**	480
	8,176	6,401

INTERNAL CONTROLS

The Board is entrusted with the overall responsibility for maintaining sound and effective internal control systems of the Company and its subsidiaries. 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.

INTERNAL CONTROLS (Continued)

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 2008.

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 2008, 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 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

PUBLIC FLOAT

As far as the Company is aware, for the year ended 31 December 2008, the Company has maintained a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

EMPLOYEES

The number of employees was increased from 4,044 as at 31 December 2007 to 4,622 as at 31 December 2008. The increase was mainly attributable to the completion of the acquisition of a hotel in Pasadena, California thereby bringing in approximately 600 employees to the Group. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In order to enhance employee relations and communications, regular meetings of general staff with senior management have been arranged during the year, with particular emphasis on performance management.

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 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement.

An interim dividend of HK20 cents per share and a special interim dividend of HK$2.7 per share were paid to the Shareholders during the year. The Directors recommended the payment of a final dividend of HK35 cents per share to the Shareholders whose names appear on the register of members of the Company on 27 May 2009.

RESERVES

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

FIVE YEARS' FINANCIAL SUMMARY

A summary of the financial information of the Group for the previous five years is set out in Appendix II of this Annual Report.

FIXED ASSETS

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

Details of the major properties of the Group at 31 December 2008 are set out in Appendix I of this Annual Report.

SHARE CAPITAL

Changes in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

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

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

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

Independent Non-Executive Directors:
Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina

* *Re-designated from Executive Director to Non-executive Director with effect from 9 December 2008*

The biographical details of the Directors are set out on pages 23 to 25 of this Annual Report. Details of Directors' emoluments are set out in note 13 to the consolidated financial statements.

In accordance with the Company's Bye-Laws, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui, Archie and Professor Wong Yue Chim, Richard 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, the interests and short position of the Directors of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange, were as follows:

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

	Number of Ordinary Shares							
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of shareholding[6]	Number of outstanding share options	Other derivative interest
LO Ka Shui	24,754,186	–	–	271,905,098[1]	296,659,284	48.65	900,000	11,184,000
LO Kai Shui	–	–	613,113[2]	200,382,200[3]	200,995,313	32.96	400,000	–
LO TO Lee Kwan	958,624	–	4,405,584[4]	–	5,364,208	0.87	–	–
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–	–
LO Hong Sui, Antony	2,984	–	–	–	2,984	–	250,000	–
LAW Wai Duen	1,019,744	–	–	200,382,200[3]	201,401,944	33.03	100,000	–
LO Hong Sui, Vincent	293	–	–	200,382,200[3]	200,382,493	32.86	–	–
LO Ying Sui, Archie	3,855,046	3,700	33,269,396[5]	200,382,200[3]	237,510,342	38.95	–	–
KAN Tak Kwong	860,431	–	–	–	860,431	0.14	420,000	–

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

(1) These 271,905,098 shares comprise:

(i) 200,382,200 shares owned by a discretionary trust of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie are the beneficiaries as at the date of this Annual Report; and

(ii) 71,522,898 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the Founder.

(2) These 613,113 shares comprise 513,113 shares held by companies wholly-owned by Mr. Lo Kai Shui and 100,000 shares held by a company controlled by him respectively. Mr. Lo Kai Shui is a director of these companies.

(3) These shares are the same parcel of shares referred to in Note (1)(i) above.

(4) These 4,405,584 shares are held by companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies.

(5) These 33,269,396 shares are held by a company wholly-owned by Dr. Lo Ying Sui, Archie who is also a director of this company.

(6) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2008 of 609,664,159 shares.

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

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

Save as disclosed above, as at 31 December 2008, none of the Directors of the Company were, under Divisions 7, 8 and 9 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short position in shares or underlying shares of the Company and its associated corporations, that were required to be entered into the register kept by the Company under section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CONNECTED TRANSACTION

The transactions as set out in note 40 to the consolidated financial statements are all connected transactions (as defined in the Listing Rules) of the Group during the year under review, except for the outstanding amounts due from associates amounted to HK$12,077,000.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Save as set out below, as at 31 December 2008, as far as the Directors are aware none of the Directors and their respective associates had any interest in a business apart from the Group's business, which competes or is likely to compete directly or indirectly, with the Group's business and would require disclosure under Rule 8.10 of the Listing Rules:

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

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

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

- Chairman of China Central Properties Limited, focusing primarily on medium to large size partially-completed property projects in the Chinese Mainland. The company was listed on the AIM of the London Stock Exchange in 2007.

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

SHARE OPTION

Pursuant to an ordinary resolution passed on 10 June 1999, the Company had adopted the Great Eagle Holdings Limited Share Option Scheme (the "Share Option Scheme"), which was amended by an ordinary resolution passed on 20 December 2001, in order to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary and to allow them to participate in the growth of the Company. A summary of the Share Option Scheme is set out in note 33 to the consolidated financial statements.

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

During the year ended 31 December 2008, movements in the Share Options granted to the Company's employees (including Directors) as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

	Number of Shares Options						
Date of grant	**Outstanding as at 1/1/2008**	**Grant during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 31/12/2008**	**Exercise Period**	**Subscription price per share (HK$)**
10/02/2003	15,000	–	–	(15,000)	–	11/02/2005-10/02/2008	4.625
16/03/2004	5,000	–	–	–	5,000	17/03/2006-16/03/2009	13.550
17/03/2005	1,013,000	–	(93,000)[1]	(22,000)	898,000	18/03/2007-17/03/2010	18.210
04/01/2007	3,047,000	–	–	(132,000)	2,915,000	05/01/2009-04/01/2012	22.350
	4,080,000	**–**	**(93,000)**	**(169,000)**	**3,818,000**		

SHARE OPTION (Continued)

2. Movements of the Share Options granted to Directors

During the year ended 31 December 2008, movements in the Share Options granted to Directors (some are also substantial shareholders) under the Share Option Scheme as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

		Number of Share Options				
Name of Director	**Date of grant**	**Outstanding as at 1/1/2008**	**Grant during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 31/12/2008**
LO Ka Shui	17/03/2005	300,000	–	–	–	300,000
	04/01/2007	600,000	–	–	–	600,000
		900,000	–	–	–	900,000
LO Kai Shui	17/03/2005	200,000	–	–	–	200,000
	04/01/2007	200,000	–	–	–	200,000
		400,000	–	–	–	400,000
LO Hong Sui, Antony	17/03/2005	50,000	–	–	–	50,000
	04/01/2007	200,000	–	–	–	200,000
		250,000	–	–	–	250,000
LAW Wai Duen	17/03/2005	50,000	–	(50,000)(2)	–	–
	04/01/2007	100,000	–	–	–	100,000
		150,000	–	(50,000)	–	100,000
KAN Tak Kwong	17/03/2005	120,000	–	–	–	120,000
	04/01/2007	300,000	–	–	–	300,000
		420,000	–	–	–	420,000
Total		**2,120,000**	**–**	**(50,000)**	**–**	**2,070,000**

SHARE OPTION (Continued)

Notes:

(1) The weighted average closing price of the 93,000 shares immediately before the dates on which the share options were exercised by employees (including directors) was HK$23.88.

(2) The weighted average closing price of the 50,000 shares immediately before the date on which the share options were exercised by a director was HK$23.88.

(3) Consideration paid for each grant of share options was HK$1.00

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

(5) During the year ended 31 December 2008, no share options were granted to the Company's employees (including Directors).

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2008, the long positions of the following persons (other than a Director or the chief executive of the Company) who had interest or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company:

Name of Shareholders	Number of shares	Percentage of issued share capital(5)
HSBC International Trustee Limited	274,494,364(1)	45.02
Powermax Agents Limited(2)	143,082,768	23.46
Surewit Finance Limited(3)	42,019,491	6.89
Adscan Holdings Limited(4)	33,269,396	5.45

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES (Continued)

Notes:

(1) These 274,494,364 shares comprise:

(i) 200,382,200 shares representing 32.86% of the issued share capital of the Company held by HSBC International Trustee Limited ("HITL") as a trustee of a discretionary trust, of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mrs. Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie, all being directors of the Company, are beneficiaries as at the date of this Annual Report;

(ii) 71,522,898 shares representing 11.73% of the issued share capital of the Company held by HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the Founder; and

(iii) 2,589,266 shares representing 0.42% of the issued share capital of the Company held by HITL in the capacity of trustee (other than a bare trustee).

(2) Powermax Agents Limited is a wholly-owned subsidiary of HITL. The said 143,082,768 shares held by it are among the shares referred to in Note (1)(i) above.

(3) Surewit Finance Limited is a wholly-owned subsidiary of HITL and the said 42,019,491 shares held by it are among the shares referred to in Note (1)(ii) above.

(4) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui, Archie, who is also a director of this company.

(5) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2008 of 609,664,159 shares.

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company 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 principles and practices is set out in the Corporate Governance Report contained in pages 28 to 36 of this 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

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensations).

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 2008.

DONATIONS

During the year, donations made by the Group for charitable and other purposes amounted to HK$3,602,665.

AUDITOR

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

LO Ka Shui

Chairman and Managing Director

Hong Kong, 23 March 2009

Deloitte.
德勤

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

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 125, which comprise the consolidated balance sheet as at 31 December 2008, 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 2008 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
23 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue	7	**4,750,433**	4,182,039
Cost of goods and services		**(2,883,974)**	(2,523,805)
Operating profit before depreciation and amortisation		**1,866,459**	1,658,234
Depreciation and amortisation		**(358,893)**	(317,903)
Operating profit		**1,507,566**	1,340,331
Fair value changes on investment properties	18	**(272,697)**	4,142,866
Fair value changes on derivative financial instruments		**(81,985)**	(1,438)
Fair value changes on financial assets carried at fair value through profit or loss		**(85,254)**	29,816
Other income	9	**190,543**	182,026
Administrative expenses		**(214,247)**	(167,249)
Other expenses		**(199,937)**	(84,494)
Impairment loss recognised in respect of a hotel building	16	**(193,829)**	–
Loss on disposal of property investment subsidiaries	35	**(450,814)**	–
Finance costs	10	**(321,682)**	(568,371)
Share of results of associates		**13,159**	17,779
(Loss) profit before tax		**(109,177)**	4,891,266
Income taxes	11	**180,847**	(992,988)
Profit for the year	12	**71,670**	3,898,278
Attributable to:			
Equity holders of the parent		**71,670**	3,898,273
Minority interests		**–**	5
		71,670	3,898,278
Dividends	14		
Interim, paid		**1,768,026**	90,693
Final, proposed		**213,382**	211,641
Basic earnings per share	15	**HK$0.12**	HK$6.47
Diluted earnings per share	15	**HK$0.12**	HK$6.46

Consolidated Balance Sheet

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	16	**8,038,660**	8,119,231
Prepaid lease payments	17	**1,706,413**	1,751,184
Investment properties	18	**3,571,890**	17,609,630
Interests in associates	19	**47,080**	38,926
Available for sale investments	20	**4,502,622**	6,263,705
Investment in convertible bonds	21	**2,298,417**	–
Note receivable	22	**77,500**	–
Amounts due from associates	23	**12,077**	12,077
Pledged bank deposits	24	**–**	323,226
Restricted cash	24	**33,887**	567,599
		20,288,546	34,685,578
Current assets			
Inventories	25	**111,120**	111,480
Debtors, deposits and prepayments	26	**471,226**	507,552
Prepaid lease payments	17	**44,771**	44,771
Financial assets carried at fair value through profit or loss	27	**99,825**	35,856
Derivative financial instruments	28	**28,410**	–
Bank balances and cash	24	**3,359,122**	2,884,709
		4,114,474	3,584,368
Current liabilities			
Creditors, deposits and accruals	29	**1,055,987**	1,261,706
Derivative financial instruments	28	**7,814**	9,714
Provision for taxation		**106,609**	137,184
Borrowings due within one year	30	**1,668,963**	3,020,131
Unsecured bank overdrafts	24	**10,014**	1,231
		2,849,387	4,429,966
Net current assets (liabilities)		**1,265,087**	(845,598)
Total assets less current liabilities		**21,553,633**	33,839,980

Consolidated Balance Sheet (Continued)

At 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current liabilities			
Borrowings due after one year	30	**2,754,127**	6,375,379
Deferred taxation	31	**824,788**	2,383,223
		3,578,915	8,758,602
NET ASSETS		**17,974,718**	25,081,378
Equity			
Share capital	32	**304,832**	302,315
Share premium and reserves		**17,669,886**	24,779,063
TOTAL EQUITY		**17,974,718**	25,081,378

The consolidated financial statements on pages 50 to 125 were approved and authorised for issue by the Board of Directors on 23 March 2009 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 2008

	Attributable to equity holders of the parent										
	Share capital	**Share premium**	**Investment revaluation reserve**	**Capital redemption reserve**	**Contributed surplus**	**Exchange translation reserve**	**Share option reserve**	**Retained profits**	**Total**	**Minority interests**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	300,427	3,368,142	(1,764,814)	1,650	402,540	163,650	8,718	17,568,334	20,048,647	288	20,048,935
Fair value gain on 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
Fair value loss on investments	–	–	(4,577,179)	–	–	–	–	–	(4,577,179)	–	(4,577,179)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(752,443)	–	–	(752,443)	–	(752,443)
Total expenses recognised directly in equity	–	–	(4,577,179)	–	–	(752,443)	–	–	(5,329,622)	–	(5,329,622)
Profit for the year	–	–	–	–	–	–	–	71,670	71,670	–	71,670
Total recognised income and expenses for the year	–	–	(4,577,179)	–	–	(752,443)	–	71,670	(5,257,952)	–	(5,257,952)
Shares issued at premium	2,517	118,410	–	–	–	–	(617)	–	120,310	–	120,310
Share issue expenses	–	(69)	–	–	–	–	–	–	(69)	–	(69)
Recognition of equity-settled share based payments	–	–	–	–	–	–	10,720	–	10,720	–	10,720
Dividend paid	–	–	–	–	–	–	–	(1,979,669)	(1,979,669)	–	(1,979,669)
At 31 December 2008	**304,832**	**3,588,652**	**(5,255,002)**	**1,650**	**402,540**	**(413,344)**	**27,743**	**19,317,647**	**17,974,718**	**–**	**17,974,718**

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 2008

	NOTES	2008 HK$'000	2007 HK$'000
Operating activities			
(Loss) profit before tax		**(109,177)**	4,891,266
Adjustments for:			
Share of results of associates		**(13,159)**	(17,779)
Impairment loss recognised on interest in an associate		**–**	1,505
Loss on disposal of property investment subsidiaries	35	**450,814**	–
Gain on disposal of listed available for sale investments		**–**	(15,605)
Loss (gain) on disposal of property, plant and equipment		**2,023**	(279)
Management service income from Champion Real Estate Investment Trust ("Champion REIT")		**(160,103)**	(81,654)
Interest income		**(186,213)**	(146,750)
Interest expense		**306,912**	554,854
Dividends received from listed available for sale investments		**(466,630)**	(85,447)
Allowance for doubtful debts (written back), net		**56,178**	(5,842)
Depreciation on other property, plant and equipment		**123,210**	106,989
Depreciation on hotel buildings		**190,912**	166,143
Amortisation on prepaid lease payments		**44,771**	44,771
Recognition of share based payments		**10,720**	11,657
Fair value changes on investment properties		**272,697**	(4,142,866)
Fair value changes on derivative financial instruments		**81,985**	1,438
Fair value changes on financial assets carried at fair value through profit or loss		**85,254**	(4,472)
Fitting-out works of investment properties written off		**–**	5,940
Fitting-out works of hotel buildings written off		**137,486**	57,230
Impairment loss recognised in respect of a hotel building	16	**193,829**	–
Operating cash flows before movements in working capital		**1,021,509**	1,341,099
Decrease (increase) in inventories		**360**	(25,355)
Increase in debtors, deposits and prepayments		**(82,565)**	(7,077)
Increase in financial assets carried at fair value through profit and loss		**(36,976)**	–
Increase in creditors, deposits and accruals		**43,903**	125,256
Cash generated from operations		**946,231**	1,433,923
Hong Kong Profits Tax paid		**(106,895)**	(51,483)
Other jurisdictions tax paid		**(53,813)**	(34,401)
Hong Kong Profits Tax refunded		**–**	536
Other jurisdictions tax refunded		**–**	3,966
Net cash from operating activities		**785,523**	1,352,541

	NOTE	2008 HK$'000	2007 HK$'000
Investing activities			
Interest received		**117,274**	144,270
Dividends received from listed available for sale investments		**466,630**	85,447
Dividends received from an associate		**5,005**	6,623
Additions of investment properties		**(60,648)**	(90,209)
Additions of property, plant and equipment		**(1,916,755)**	(362,712)
Purchase of available for sale investments		**(3,700)**	(19,535)
Purchase of note receivable		**(77,500)**	–
Proceeds on disposal of listed available for sale investments		**–**	43,602
Proceeds on disposal of investment properties		**21,213**	1,111,828
Proceeds on disposal of property investment subsidiaries	35	**3,145,341**	–
Proceeds on disposal of property, plant and equipment		**60**	5,279
Decrease in amounts due from associates		**–**	300
Decrease in pledged bank deposits		**25,802**	3,239
Decrease (increase) in restricted cash		**533,712**	(567,599)
Net cash from investing activities		**2,256,434**	360,533
Financing activities			
Interest paid		**(310,231)**	(564,024)
Issue of shares		**1,694**	7,514
Share issue expenses		**(69)**	(77)
New bank loans raised		**822,236**	–
Repayments of bank loans		**(1,046,574)**	(1,124,740)
Dividends paid to shareholders		**(1,861,053)**	(147,076)
Dividend paid to minority shareholders		**–**	(296)
Contribution from minority shareholders		**–**	3
Net cash used in financing activities		**(2,393,997)**	(1,828,696)
Increase (decrease) in cash and cash equivalents		**647,960**	(115,622)
Effect of foreign exchange rates changes		**(182,330)**	79,273
Cash and cash equivalents at the beginning of the year		**2,883,478**	2,919,827
Cash and cash equivalents at the end of the year		**3,349,108**	2,883,478
Analysis of the balance of cash and cash equivalents			
Being:			
Bank balances and cash		**3,359,122**	2,884,709
Bank overdrafts		**(10,014)**	(1,231)
		3,349,108	2,883,478

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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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.

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, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

The Directors of the Company anticipate that the application of the new and revised standards, amendments 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.

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's 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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 consolidated income statement on a straight-line basis over the terms of the relevant lease.

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

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

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

Interest income from a financial asset 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 investment are recognised when the shareholder's rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Service income is recognised when services are provided.

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

Agency commission income is recognised when services are rendered.

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Property, plant and equipment

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

Leasehold land and buildings transferred from investment properties are stated at deemed cost equal to its fair value at the date of change in use and is continued to be accounted for as if it was an asset held under finance lease.

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

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%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

Prepaid lease payments

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

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the 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 as and included in finance costs 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, including financial assets carried at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial asset carried at fair value through profit or loss (Continued)

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.

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 note receivable, amounts due from associates, debtors and pledged bank deposits, restricted cash and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at 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 (see accounting policy on impairment loss on financial assets below).

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

Investment in convertible bonds

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

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 affected.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Impairment losses on available-for-sale listed equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in 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.

Embedded derivatives

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

Derecognition

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

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 during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

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

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

4. CRITICAL ACCOUNTING JUDGEMENT 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 judgement, 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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Investment properties

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

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

In determining the fair value of investment properties situated in the United States of America ("USA"), the valuers have used discounted cash flow method which involves estimates of future cash flow supported by the terms of any existing lease and using discount rates that reflect current market assessments of the uncertainty in the amounts and timing of the cash flows.

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

Fair value of derivative financial instruments

For held-for-trading unlisted equity linked note and derivative financial instruments as described in notes 27 and 28, respectively, the Directors of the Company considered the fair value of derivative financial instruments approximate to valuation provided by counterparty financial institution and banks.

Estimated impairment of a hotel building

During the year ended 31 December 2008, the Group acquired a hotel building located in the USA. The Group determined that it is impaired when the recoverable amount of the hotel building is estimated to be less than its carrying amount. The determination of the recoverable amount of the hotel building requires estimating the future cash flows expected to arise and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2008, the recoverable amount of the hotel building is estimated to be HK$1,085,000,000 and the carrying amount of this hotel building before impairment loss was HK$1,278,829,000, an impairment loss amounting to HK$193,829,000 was recognised.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement in applying the entity's accounting policies

Impairment assessment of available for sale investments

For the Group's investment in Champion REIT of HK$4,433,971,000 (2007: HK$6,167,196,000), the management takes into consideration of Champion REIT's sound financial position at balance sheet date, the sustainability of its distributions, the liquidity of its units and observable data such as net asset value per unit of Champion REIT which is in excess of the Group's cost of investment. Based on these considerations, the Group concluded that no objective evidence exist as at 31 December 2008 that the investment in Champion REIT is impaired.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 30, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained earnings.

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Market risk

(i) Interest rate risk

Interest rate risk management

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

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

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

The interest rate and terms of straight debt receivable in investment in convertible bonds, note receivable, bank balances, interest rate swap and borrowings for the Group are set out in notes 22, 24, 28 and 30 respectively.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(Continued)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate borrowings and interest rate swap at the balance sheet date. The analysis is prepared assuming the amounts of liabilities outstanding at the balance sheet date were outstanding for the whole year. 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 effect from possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2008 would decrease/increase by HK$21,587,000 (2007: decrease/increase by HK$40,437,000).

(ii) Currency risk

The Group has 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 and using foreign exchange derivative contracts.

Foreign currency risk management

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

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pound Sterling	**877**	77	**365**	–
United States dollars	**990,566**	1,349,047	**6,575**	3,268
Euro dollars	**1,703**	10,231	**623**	7,880
Australian dollars	**14,917**	8,178	**–**	–

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

Foreign currency sensitivity

The following table details the Group's sensitivity to a 10% (2007: 1%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US dollars, it is assumed that there would be no material currency risk exposure between these two currencies and therefore is excluded from the analysis below. 10% (2007: 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 10% (2007: 1%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weakening 10% (2007: 1%) against the relevant currency. For a 10% (2007: 1%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit before tax, and the balances below would be negative.

	2008	2007
	HK$'000	HK$'000
Pound Sterling	**51**	–
Euro dollars	**108**	31
Australian dollars	**1,492**	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.

(iii) Other price risk

The Group's listed available for sale investments, financial assets carried at fair value through profit or loss and embedded derivatives in investment in convertible bonds are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk in relation to these financial assets. In order to mitigate such risk, the Group would monitor the price risk and will consider hedging the risk exposure should the need arise.

Other price sensitivity

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

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(Continued)

(a) Market risk (Continued)

(iii) Other price risk (Continued)

If the prices of the available for sale investments and financial assets carried at fair value through profit or loss had been 10% (2007: 5%) higher/lower:

- profit for the year ended 31 December 2008 would increase/decrease by HK$9,982,000 (2007: increase/decrease by HK$1,793,000) 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$448,284,000 (2007: increase/decrease by HK$312,196,000) for the Company as a result of the changes in fair value of listed available for sale investments.

If the volatility of unit of Champion REIT to the valuation model of embedded derivatives in investment in convertible bonds had been 5% higher/lower while all other variables were held constant, the profit for the year would be affected by:

- profit for the year ended 31 December 2008 would increase/decrease by HK$20,350,000/HK$15,179,000 as a result of the changes in fair value of embedded derivatives in investment in convertible bonds.

(b) Liquidity risk

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

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. For derivative financial instruments settle on a gross basis, undiscounted cash inflows and outflows are presented.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(b) Liquidity risk (Continued)

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

	Interest rate	0 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total undiscounted cash flows	Total carrying amount as at 31.12.2007
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007									
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
		1,246,926	215,114	2,736,804	2,154,477	2,570,194	2,076,975	11,000,490	10,084,494

6. 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.

	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 undiscounted cash flows** HK$'000	**Total carrying amount as at 31.12.2008** HK$'000
2008						
Derivatives net settlement						
Interest rate swaps	**2,631**	**2,409**	**1,073**	**–**	**6,113**	**5,757**
Derivatives gross settlement						
Currency forward contracts						
– inflow	**(6,557)**	**–**	**–**	**–**	**(6,557)**	**(6,557)**
– outflow	**8,614**	**–**	**–**	**–**	**8,614**	**8,614**
	2,057	**–**	**–**	**–**	**2,057**	**2,057**

	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 undiscounted cash flows HK$'000	Total carrying amount as at 31.12.2007 HK$'000
2007						
Derivatives net settlement						
Interest rate swaps	(959)	(959)	(1,918)	(3,836)	(7,672)	447
Currency forward contracts	243,161	218,309	276,938	–	738,408	9,267
	242,202	217,350	275,020	(3,836)	730,736	9,714

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(c) Credit risk

The Group's principal financial assets are available for sale investments, investment in convertible bonds, note receivable, amounts due from associates, trade debtors, financial assets carried at fair value through profit or loss, bank balances and cash, and derivative financial instruments. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 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 note receivable are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debtors 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.

Other than concentration of credit risk on note receivable which is deposited with a financial institution with high credit rating, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(Continued)

(d) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables		
Trade debtors	**250,037**	286,628
Other receivables	**97,670**	58,793
Note receivable	**77,500**	–
Amounts due from associates	**12,077**	12,077
Investment in convertible bonds	**2,298,417**	–
Pledged bank deposits	**–**	323,226
Restricted cash	**33,887**	567,599
Bank balances and cash	**3,359,122**	2,884,709
	6,128,710	4,133,032
Financial assets at fair value through profit or loss		
Held for trading financial assets	**128,235**	35,856
Available-for-sale financial assets		
Available for sale investments	**4,502,622**	6,263,705
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	**184,285**	205,399
Other payables	**521,396**	482,354
Borrowings	**4,423,090**	9,395,510
Unsecured bank overdrafts	**10,014**	1,231
	5,138,785	10,084,494
Financial liabilities at fair value through profit or loss		
Derivative financial instruments classified as held for trading	**7,814**	9,714

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(e) Fair value

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

– the fair value of listed available for sale investments and financial assets carried at 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 using valuation provided by counterparty financial institution and banks. For embedded derivatives in investment in convertible bonds, its fair value is determined based on the Binomial model using the assumptions that are supported by observable market data.

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

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

7. REVENUE

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

	2008 HK$'000	2007 HK$'000
Property rental income	**476,701**	711,079
Building management service income	**51,413**	89,386
Hotel income	**3,063,194**	2,927,104
Sales of goods	**172,757**	112,524
Dividend income	**466,630**	85,447
Management service income received as a manager of real estate investment trust	**285,103**	91,600
Others	**234,635**	164,899
	4,750,433	4,182,039

8. 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.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these businesses is presented below.

2008

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	528,114	3,063,194	1,159,125	–	4,750,433
Inter-segment sales	37,115	–	18,741	(55,856)	–
Total	565,229	3,063,194	1,177,866	(55,856)	4,750,433
Inter-segment sales are charged at a mutually agreed price.					
RESULTS					
Segment result	328,177	190,510	860,801		1,379,488
Unallocated corporate income					70,409
Unallocated corporate expenses					(165,972)
Fair value changes on investment properties	(272,697)	–	–		(272,697)
Fair value changes on derivative financial instruments					(81,985)
Fair value changes on financial assets carried at fair value through profit or loss					(85,254)
Impairment loss recognised in respect of a hotel building	–	(193,829)	–		(193,829)
Loss on disposal of property investment subsidiaries	(450,814)	–	–		(450,814)
Finance costs					(321,682)
Share of results of associates	227	–	12,932		13,159
Loss before tax					(109,177)
Income taxes					180,847
Profit for the year					71,670

8. 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	20,345	1,901,951	12,797	1,935,093
Depreciation on property, plant and equipment	6,803	295,632	11,687	314,122
Amortisation of prepaid lease payments	166	44,605	–	44,771
Allowance for doubtful debts	–	–	56,178	56,178
Fitting-out works written off	–	137,486	–	137,486
Loss on disposal property, plant and equipment	–	–	2,023	2,023

BALANCE SHEET

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	3,732,358	10,285,001	7,422,630	21,439,989
Interests in associates	533	–	46,547	47,080
Unallocated corporate assets				2,915,951
Consolidated total assets				24,403,020
LIABILITIES				
Segment liabilities	56,929	521,738	136,616	715,283
Unallocated corporate liabilities				5,713,019
Consolidated total liabilities				6,428,302

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

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

8. 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
Fitting-out works written off	5,940	57,230	–	63,170

BALANCE SHEET

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS				
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
LIABILITIES				
Segment liabilities	619,399	473,254	150,545	1,243,198
Unallocated corporate liabilities				11,945,370
Consolidated total liabilities				13,188,568

8. 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:

	2008 HK$'000	2007 HK$'000
Hong Kong	**2,755,629**	2,238,365
North America	**1,263,353**	983,294
Europe	**192,516**	447,121
Asia Pacific, other than Hong Kong	**538,935**	513,259
	4,750,433	4,182,039

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	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Hong Kong	**14,755,588**	28,697,688	**158,999**	184,540
North America	**3,830,278**	3,853,312	**1,361,176**	51,824
Europe	**1,753,201**	2,067,438	**384,751**	138,461
Asia Pacific, other than Hong Kong	**1,100,922**	1,377,418	**30,167**	14,698
	21,439,989	35,995,856	**1,935,093**	389,523

9. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Interest income on:		
Bank deposits	**103,583**	146,750
Investment in convertible bonds (note 21)	**81,033**	–
Note receivable	**1,597**	–
	186,213	146,750
Gain on disposal of property, plant and equipment	**–**	279
Gain on disposal of listed available for sale investments	**–**	15,605
Net exchange gain	**–**	9,641
Allowance for doubtful debts written back, net	**–**	5,842
Sundry income	**4,330**	3,909
	190,543	182,026

10. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on bank borrowings wholly repayable within five years	**205,523**	439,993
Interest on other loans wholly repayable within five years	**101,389**	114,861
Other borrowing costs	**14,770**	13,517
	321,682	568,371

11. INCOME TAXES

	2008 HK$'000	2007 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**89,490**	87,486
Other jurisdictions	**39,731**	34,443
	129,221	121,929
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(1,605)**	7,377
Other jurisdictions	**(830)**	211
	(2,435)	7,588
	126,786	129,517
Deferred tax (note 31):		
Current year	**(207,460)**	863,471
Attributable to change in tax rate	**(100,173)**	–
	(307,633)	863,471
	(180,847)	992,988

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

11. INCOME TAXES (Continued)

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

	2008 **HK$'000**	2007 HK$'000
(Loss) profit before tax	**(109,177)**	4,891,266
Tax at the domestic income tax rate of 16.5% (2007:17.5%)	**(18,014)**	855,972
Tax effect of expenses that are not deductible for tax purpose	**113,321**	62,424
Tax effect of income that is not taxable for tax purpose	**(107,049)**	(51,501)
(Over)underprovision in prior years	**(2,435)**	7,588
Tax effect of share of result of associates	**(2,171)**	(3,111)
Tax effect of tax losses not recognised	**22,001**	19,725
Utilisation of tax losses previously not recognised	**(7,511)**	(21,290)
Decrease in opening deferred taxation liability resulting from a decrease in applicable tax rate	**(100,173)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(85,433)**	119,308
Others	**6,617**	3,873
Tax (credit) charge for the year	**(180,847)**	992,988

12. PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)	**1,285,894**	1,108,111
Share based payments (including directors' emoluments)	**10,720**	11,657
	1,296,614	1,119,768
Amortisation of prepaid lease payments	**44,771**	44,771
Depreciation on		
– hotel buildings	**190,912**	166,143
– other property, plant and equipment	**123,210**	106,989
	314,122	273,132
Auditor's remuneration	**7,703**	7,024
Allowance for doubtful debts (included in other expenses)	**56,178**	–
Fitting-out works of hotel building (2007: investment properties and hotel buildings) written off (included in other expenses)	**137,486**	63,170
Operating lease payments on rented premises	**29,196**	3,747
Cost of inventories recognised as an expense	**516,544**	385,920
Share of tax of associates (included in the share of result of associates)	**512**	1,154
Impairment loss recognised on interest in an associate	**–**	1,505
Loss on disposal of property, plant and equipment	**2,023**	–
Net exchange loss	**4,250**	–
and after crediting:		
Dividend income from listed investments	**466,630**	85,447
Gain on disposal of property, plant and equipment	**–**	279
Rental income from investment properties less related outgoings of HK$138,924,000 (2007: HK$209,156,000)	**337,777**	501,923

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2007: eleven) directors were as follows:

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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

	2007					
	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share options HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	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

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2007: two) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2007: three) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**8,920**	8,248
Discretionary bonuses	**1,231**	1,322
Share options	**974**	1,120
Retirement benefits scheme contributions	**447**	470
	11,572	11,160

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments (Continued)

	2008 Number of employees	2007 Number of employees
Bands:		
HK$3,000,001-HK$3,500,000	**–**	1
HK$3,500,001-HK$4,000,000	**2**	1
HK$4,000,001-HK$4,500,000	**1**	1
	3	3

14. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Dividends paid:		
– Final dividend of HK35 cents in respect of 2007 (2007: HK25 cents in respect of 2006) per ordinary share	**211,643**	150,268
– Interim:		
Dividend of HK20 cents in respect of 2008 (2007: HK15 cents) per ordinary share	**121,933**	90,693
Special dividend of HK$2.7 (2007: nil) in respect of 2008 per ordinary share	**1,646,093**	–
	1,768,026	90,693
	1,979,669	240,961
Dividends proposed:		
– Proposed final dividend of HK35 cents in respect of 2008 (2007: HK35 cents) per ordinary share	**213,382**	211,641

The proposed final dividend in respect of 2008 is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2008 **HK$'000**	2007 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**71,670**	3,898,273
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**607,238,125**	602,812,151
Effect of dilutive potential shares:		
Share options	**61,667**	637,543
Weighted average number of shares for the purpose of diluted earnings per share	**607,299,792**	603,449,694

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and hotel buildings	Owner occupied land and buildings situated in Hong Kong	Furniture and fixtures	Motor vehicles	Plant and machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2007	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)
At 31 December 2007	8,944,334	394,721	562,679	4,075	1,243	9,907,052
Exchange adjustments	(1,226,450)	–	(69,276)	–	–	(1,295,726)
Additions	1,798,921	–	115,408	419	–	1,914,748
Transfer from investment properties	–	69,400	–	–	–	69,400
Disposals/written off	(188,722)	(374,366)	(2,688)	(379)	–	(566,155)
At 31 December 2008	**9,328,083**	**89,755**	**606,123**	**4,115**	**1,243**	**10,029,319**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2007	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 disposals	(16,226)	–	(7,860)	(1,573)	(2,572)	(28,231)
At 31 December 2007	1,466,294	26,405	290,804	3,080	1,238	1,787,821
Exchange adjustments	(195,387)	–	(36,620)	–	–	(232,007)
Charge for the year	190,912	6,554	116,129	522	5	314,122
Impairment loss recognised in the consolidated income statement	193,829	–	–	–	–	193,829
Eliminated on disposals/written off	(51,236)	(20,886)	(605)	(379)	–	(73,106)
At 31 December 2008	**1,604,412**	**12,073**	**369,708**	**3,223**	**1,243**	**1,990,659**
CARRYING VALUES						
At 31 December 2008	**7,723,671**	**77,682**	**236,415**	**892**	**–**	**8,038,660**
At 31 December 2007	7,478,040	368,316	271,875	995	5	8,119,231

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2008, hotel buildings with carrying amounts of HK$2,944,060,000 (2007: HK$2,969,274,000) were situated in Hong Kong under medium-term leases. The remaining balance of HK$4,779,611,000 (2007: HK$4,508,766,000) represents hotel buildings on freehold land outside Hong Kong.

Owner occupied land and buildings situated in Hong Kong which are held under long-term leases amounted to HK$77,682,000 (2007: HK$59,068,000) and medium-term leases amounted to zero (2007: HK$309,248,000).

At 31 December 2008, the Directors of the Company conducted an impairment assessment on hotel buildings and determined that the recoverable amount of a hotel building located in the USA was less than its carrying amount. The review led to the recognition of an impairment loss of HK$193,829,000 (2007: nil) in the consolidated income statement. The recoverable amount of the hotel building was determined by value in use which was estimated using the future cash flows expected to arise and a suitable discount rate of 9% in order to calculate the present value.

17. PREPAID LEASE PAYMENTS

	2008 **HK$'000**	2007 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Long lease	**19,865**	20,031
Medium-term lease	**1,731,319**	1,775,924
	1,751,184	1,795,955
Analysed for reporting purposes as:		
Non-current asset	**1,706,413**	1,751,184
Current asset	**44,771**	44,771
	1,751,184	1,795,955

18. INVESTMENT PROPERTIES

	2008 HK$'000	2007 HK$'000
FAIR VALUE		
At 1 January	**17,609,630**	14,665,992
Exchange adjustments	**(7,775)**	5,588
Additions	**20,345**	26,161
(Decrease) increase in fair value recognised in the consolidated income statement	**(272,697)**	4,142,866
Disposal of property investment subsidiaries	**(13,687,000)**	–
Disposals/written off	**(21,213)**	(1,140,377)
Transfer to property, plant and equipment	**(69,400)**	(90,600)
At 31 December	**3,571,890**	17,609,630

(a) The Group's property interests situated in Hong Kong of HK$2,445,040,000 (2007: HK$16,387,790,000) which are held under long and medium-term 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 2008 and 2007 has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Knight Frank Petty Limited.

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

The valuations for investment properties in Hong Kong were arrived by using income capitalisation method which is determined based on the future cash flow of market rentals at market yield expected by property investors. The market rentals are also assessed by reference to the rentals achieved in other similar properties in the neighbourhood.

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

18. INVESTMENT PROPERTIES (Continued)

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

	2008 HK$'000	2007 HK$'000
Long leases in Hong Kong	**2,306,040**	2,494,790
Medium-term leases in Hong Kong	**139,000**	13,893,000
Freehold land outside Hong Kong	**1,126,850**	1,221,840
	3,571,890	17,609,630

19. INTERESTS IN ASSOCIATES

	2008 HK$'000	2007 HK$'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	**44,472**	37,823
	47,080	40,431
Impairment loss recognised (note)	**–**	(1,505)
	47,080	38,926
Fair value of the listed associate	**36,915**	65,701

Note:

In 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.

19. INTERESTS IN ASSOCIATES (Continued)

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

	2008 HK$'000	2007 HK$'000
Total assets	**510,338**	383,098
Total liabilities	**(194,961)**	(161,002)
Net assets	**315,377**	222,096
Group's share of net assets of associates	**47,080**	40,431
Revenue	**593,438**	459,543
Profit for the year	**80,798**	84,151
Group's share of results of associates for the year	**13,159**	17,779

Particulars regarding the principal associates are set out in note 42.

20. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments comprise:

	2008 HK$'000	2007 HK$'000
Listed in Hong Kong:		
– units issued by Champion REIT	**4,433,971**	6,167,196
– equity securities	**48,870**	76,728
Unlisted equity securities in Hong Kong	**19,781**	19,781
	4,502,622	6,263,705
Market value of listed securities	**4,482,841**	6,243,924

The Group's investment in Champion REIT represents approximately 49% (2007: 48%) 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 Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong, which prescribes certain rights, duties and obligations of the manager, trustee and unitholders under the Trust Deed. The Directors of the Company have evaluated these factors and have concluded that the Group does not exercise significant influence on the operating and financial policies of Champion REIT and hence Champion REIT is not regarded as an associate of the Group.

20. AVAILABLE FOR SALE INVESTMENTS (Continued)

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

At the 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 investments 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 since significant subjective judgements are required in valuing their underlying assets.

21. INVESTMENT IN CONVERTIBLE BONDS

	Straight debt	Embedded derivatives
	HK$'000	HK$'000
Subscribed on 3 June 2008	2,229,084	110,916
Interest income recognised during the year	81,033	–
Interest received	(11,700)	–
Change in fair value	–	(82,506)
At 31 December 2008	2,298,417	28,410

On 3 June 2008, the Group subscribed an aggregate principal amount of HK$2,340 million of HK$4,680 million 1% guaranteed convertible bonds due 2013 ("Bonds") issued by Champion REIT. Details of the transaction are set out in the announcement of the Company dated 28 May 2008 and 3 June 2008.

The Bonds entitle the holders to convert them into units of Champion REIT at any time on and after 3 June 2009 up to the date which is seven days prior to 3 June 2013 at an adjusted conversion price of HK$4.39 per unit which came into effect since 27 August 2008. If the holder has elected to convert the Bonds, the issuer shall have an option to pay to the holders in whole or in part an amount of cash equal to the market values of the number of units deliverable. If the Bonds have not been converted, redeemed by the issuer or the holders or purchased and cancelled, they will be redeemed on 3 June 2013 at 123.94%. Interest of 1% will be paid semi-annually in arrears on 3 June and 3 December each year, commencing on 3 December 2008.

21. INVESTMENT IN CONVERTIBLE BONDS (Continued)

The Bonds has been split between a straight debt receivable component and embedded derivatives (note 28). The effective interest rate of the straight debt receivable component is 6.27% per annum.

The fair value of the embedded derivatives at subscription date and balance sheet date is based on valuation carried out by an independent valuer. The fair value is determined based on the Binomial model using the assumptions that are supported by observable market data, including dividend yield of 15.32%, unit price of Champion REIT at HK$2.08, risk-free rate of 1.12% in respect of the Bonds, and expected volatility of 40% with reference to Champion REIT's historical volatility of the past 2.5 years.

22. NOTE RECEIVABLE

During the year, the Group subscribed an unsecured US$10,000,000 (equivalent to HK$77,500,000) medium term note issued by a reputable financial institution which carrying interest quarterly at 5.15% in the first six months starting from the issue date of 7 August 2008 and at LIBOR plus 1% thereafter till maturity on 7 August 2013.

23. 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.

24. PLEDGED BANK DEPOSITS, RESTRICTED CASH, BANK BALANCES AND CASH, UNSECURED BANK OVERDRAFTS

Pledged bank deposits

Pledged deposits were placed in designated banks as part of the securities provided for long-term bank facilities granted to the Group and the deposits carried interest at market rates which ranged from 3.12% to 4.75% during the year ended 31 December 2007. During the year ended 31 December 2008, pledge bank deposits of HK$297,424,000 were disposed through the disposal of property investment subsidiaries as described in note 35.

24. PLEDGED BANK DEPOSITS, RESTRICTED CASH, BANK BALANCES AND CASH, UNSECURED BANK OVERDRAFTS (Continued)

Restricted cash

As at 31 December 2008, an amount equivalent to HK$33,887,000 was placed in designated bank accounts pursuant to applicable loan facilities requirements.

As at 31 December 2007, restricted cash amounting equivalent to HK$516,884,000 was placed in a financial institution in connection with the disposal of an investment property situated in the USA. The amount was subsequently released upon completion of the disposal. In addition, the Group deposited HK$50,715,000 in another financial institution which represented earnest money placed for the acquisition of a hotel property. The acquisition was completed on 8 January 2008 and the restricted cash was utilised accordingly.

Bank balances and cash

Bank balances including short-term bank deposits with maturity of less than three months carry interest at market rates which range from 0.005% to 7.1% (2007: 0.175% to 7.9%) per annum.

Unsecured bank overdrafts

Bank overdrafts carry interest at market rates which range from 5.75% to 18.6% (2007: 7% to 12.72%) per annum.

25. INVENTORIES

	2008 **HK$'000**	2007 HK$'000
Completed properties held for sale	**42**	42
Raw materials	**7,785**	11,487
Trading goods	**22,097**	20,649
Provisions and beverages	**31,820**	27,845
Work-in-progress	**49,376**	51,457
	111,120	111,480

26. DEBTORS, DEPOSITS AND PREPAYMENTS

	2008 HK$'000	2007 HK$'000
Trade debtors, net of allowance for doubtful debts	**250,037**	286,628
Deferred rent receivables	**16,079**	70,235
Other receivables	**97,670**	58,793
Deposits and prepayments	**107,440**	91,896
	471,226	507,552

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:

	2008 HK$'000	2007 HK$'000
0-3 months	**237,626**	234,167
3-6 months	**7,281**	5,223
Over 6 months	**5,130**	47,238
	250,037	286,628

Included in the Group's trade debtors balance are debtors with a carrying amount of HK$12,411,000 (2007: HK$65,875,000) 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.

26. DEBTORS, DEPOSITS AND PREPAYMENTS (Continued)

Aging of past due but not impaired

	2008 HK$'000	2007 HK$'000
0-3 months	–	13,414
3-6 months	7,281	5,223
Over 6 months	5,130	47,238
Total	12,411	65,875

Movement in the allowance for doubtful debts

	2008 HK$'000	2007 HK$'000
At 1 January	6,913	13,612
Amounts written off	–	(857)
Amounts recovered	–	(7,468)
Increase in allowance recognised in profit or loss	56,178	1,626
At 31 December	63,091	6,913

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

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

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

	2008 HK$'000	2007 HK$'000
Held-for-trading listed securities in Hong Kong:		
– Champion REIT	**75,823**	35,856
Held-for-trading unlisted equity linked note	**24,002**	–
	99,825	35,856

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

During the current year, the Group entered into an unlisted equity linked note of notional amount of US$5,000,000 at a consideration of US$4,732,000 (equivalent to HK$36,976,000). The note is linked to units of Champion REIT, with a contracted exercise price of HK$3 and matures at 17 April 2009. Its fair value at year ended 31 December 2008 was provided by the counterparty financial institution.

28. 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 GBP40,000,000 (2007: GBP40,000,000) were entered for periods up to 2009, to swap floating-rate borrowings to fixed interest rates ranging from 4.91% to 5.48% (2007: 4.91% to 5.48%).

In addition, during the year ended 31 December 2008, the Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in the United Kingdom. The Group is required to sell or buy Pound Sterling against US Dollars at contracted rates under these derivative contracts. As at the balance sheet date, the unexpired notional amount of these outstanding derivatives contracts, which will fully expire by March 2009, was approximately GBP943,000 (2007: GBP19,575,000).

28. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Embedded derivatives in investment in convertible bonds (note 21)	**28,410**	–	**–**	–
Interest rate swap	**–**	–	**5,757**	447
Foreign currency derivative contracts	**–**	–	**2,057**	9,267
	28,410	–	**7,814**	9,714

The fair value of interest rate swap and foreign currency derivative contracts at balance sheet dates are provided by counterparty banks.

29. CREDITORS, DEPOSITS AND ACCRUALS

	2008	2007
	HK$'000	HK$'000
Trade creditors	**184,285**	205,399
Rental deposits	**137,045**	260,209
Construction fee payable and retention money payable	**380,333**	422,987
Accruals, interest payable and other payables	**354,324**	373,111
	1,055,987	1,261,706

29. CREDITORS, DEPOSITS AND ACCRUALS (Continued)

The aged analysis of trade creditors is as follows:

	2008 HK$'000	2007 HK$'000
0-3 months	**169,118**	200,554
3-6 months	**19**	2,650
Over 6 months	**15,148**	2,195
	184,285	205,399
Rental deposits		
– Due within one year	**119,972**	155,633
– Due more than one year	**17,073**	104,576
	137,045	260,209

30. BORROWINGS

	2008 HK$'000	2007 HK$'000
Bills payable	**7,563**	11,148
Bank loans and revolving loans (secured)	**3,277,092**	8,249,514
Other non-current loans (secured)	**1,148,396**	1,147,545
	4,433,051	9,408,207
Loan front-end fee	**(9,961)**	(12,697)
	4,423,090	9,395,510
The maturity of the above loans is as follows:		
On demand or within one year	**1,668,963**	3,020,131
More than one year but not exceeding two years	**150,907**	1,907,840
More than two years but not exceeding five years	**2,603,220**	4,467,539
	4,423,090	9,395,510
Less: Amounts due within one year shown under current liabilities	**(1,668,963)**	(3,020,131)
Amounts due after one year	**2,754,127**	6,375,379

30. BORROWINGS (Continued)

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

	2008 HK$'000	2007 HK$'000
Within one year	**15,286**	125,248
More than one year but not exceeding two years	**51,201**	6,801
More than two years but not exceeding three years	**497,329**	50,225
More than three years but not exceeding four years	**–**	503,628
	563,816	685,902

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

	2008 HK$'000	2007 HK$'000
Within one year	**1,653,677**	2,894,883
More than one year but not exceeding two years	**99,706**	1,901,039
More than two years but not exceeding three years	**1,089,325**	2,404,010
More than three years but not exceeding four years	**889,731**	306,714
More than four years but not exceeding five years	**126,835**	1,202,962
	3,859,274	8,709,608

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

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	**4.91% to 12.50%**	4.52% to 12.50%
Variable-rate borrowings	**2.33% to 8.30%**	4.62% to 10.22%

During the year ended 31 December 2008, in respect of floating-rate bank loans with aggregate carrying amounts of HK$1,194,400,000 at balance sheet date, the Group did not meet certain requirements of the loan facilities which are primarily related to the debt service coverage ratios. Accordingly, the Group placed HK$33,887,000 into designated bank accounts and no immediate repayment of the bank loans was required.

31. 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	Tax losses	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	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
At 31 December 2007	2,665,385	(264,063)	(18,099)	2,383,223
Exchange differences	(71,106)	31,495	67	(39,544)
Release upon disposal	(1,259,357)	48,099	–	(1,211,258)
(Credit) charge to income for the year	(99,375)	(117,431)	9,346	(207,460)
Effect of change in tax rate	(110,591)	10,180	238	(100,173)
At 31 December 2008	**1,124,956**	**(291,720)**	**(8,448)**	**824,788**

At the balance sheet date, the Group has unutilised tax losses of HK$2,521,553,000 (2007: HK$2,713,192,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,189,648,000 (2007: HK$1,294,582,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,331,905,000 (2007: HK$1,418,610,000) 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$1,173,303,000 (2007: HK$1,472,340,000). 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.

32. SHARE CAPITAL

	2008		2007	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
(a) **Authorised:**				
Shares of HK$0.50 each				
Balance brought forward and carried forward	**800,000**	**400,000**	800,000	400,000
(b) **Issued and fully paid:**				
Shares of HK$0.50 each				
Balance brought forward	**604,631**	**302,315**	600,854	300,427
Issued upon exercise of share options under the Share Option Scheme	**93**	**47**	423	211
Issued as scrip dividends	**4,940**	**2,470**	3,354	1,677
Balance carried forward	**609,664**	**304,832**	604,631	302,315

During the year ended 31 December 2008, 4,940,289 (2007: 3,353,013) shares of HK$0.50 each in the Company were issued at HK$24.01(2007: HK$28) per share as scrip dividends.

33. SHARE OPTION

In accordance with Share Option Scheme of Great Eagle Holdings Limited (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

a. 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.

33. SHARE OPTION (Continued)

Summary of the Scheme (Continued)

b. 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 directors of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the Scheme. The total number of Shares available for issue under the Scheme is 54,636,853 Shares, representing approximately 9% of the Company's issued share capital as at 20 March 2009, 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.

33. SHARE OPTION (Continued)

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

In 2008

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

In 2007

	Number of shares				
Year of grant of options	Outstanding options at 1 January 2007	Options granted	Options exercised	Options lapsed	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
	1,528,000	3,158,000	(423,000)	(183,000)	4,080,000
Exercisable at end of the year					
Weighted average exercise price	HK$17.90	HK$22.35	HK$17.76	HK$20.40	HK$21.25

33. SHARE OPTION (Continued)

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

In 2008

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

In 2007

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

In respect of share options exercised during the year, the weighted average price of the shares on the date the options were exercised was HK$23.88 (2007: HK$28.50).

Details of Options granted in each year are as follows:

Year	**Date of grant**	**Exercisable period**	**Subscription price per share** (HK$)
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

33. SHARE OPTION (Continued)

Notes:

(i) Consideration paid for each grant of share options 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$13.5, HK$18.05 and HK$21.9, respectively.

(iii) The vesting period for the share options 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 approximated the yield of 5-year Exchange Fund Note on the grant date.

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

34. 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 2008 amounting to HK$208,000 (2007: HK$58,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2008 charged to the consolidated income statement amounted to HK$49,433,000 (2007: HK$43,290,000). As at 31 December 2008, contributions of HK$751,000 (2007: HK$737,000) due in respect of the year had not been paid over to the schemes.

35. DISPOSAL OF PROPERTY INVESTMENT SUBSIDIARIES

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

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

	HK$'000	HK$'000
Net assets disposed of:		
Investment properties		13,687,000
Owner occupied land and buildings		353,480
Pledged bank deposits		297,424
Debtors, deposits and prepayments		110,175
Bank balances and cash		93
Creditors, deposits and accruals		(197,136)
Bank loans		(4,291,134)
Deferred taxation		(1,211,258)
Net assets disposal of		8,748,644
Total consideration satisfied by:		
Cash	3,145,434	
Fair value of units issued by Champion REIT (note 36(c))	2,812,396	
Fair value of convertible bonds subscribed (note 36(c))	2,340,000	8,297,830
Loss on disposal of property investment subsidiaries		(450,814)
Net cash inflow arising on disposal:		
Cash consideration received		3,145,434
Bank balances and cash disposed of		(93)
		3,145,341

36. MAJOR NON-CASH TRANSACTION

(a) During the year ended 31 December 2008, 4,940,289 (2007: 3,353,013) shares of HK$0.50 each in the Company were issued at HK$24.01 (2007: HK$28) per share as scrip dividends.

(b) During the year ended 31 December 2008, management service income of HK$285,103,000 (2007: HK$91,600,000) was earned as manager of Champion REIT in which HK$160,103,000 (2007: HK$81,654,000) is required to be settled in the form of units of Champion REIT. An amount of HK$61,977,000 (2007: HK$31,384,000) had been settled through receipt of units issued by Champion REIT while the balance of HK$98,126,000 (2007: HK$50,270,000) will be settled in units of Champion REIT subsequent to the year end.

(c) During the year ended 31 December 2008, the Group received 781,221,000 units of Champion REIT with a fair value of HK$2,812,396,000, as part of the consideration of the Disposal as described in note 35. In addition, the total consideration received was partially set off by the subscription of the Bonds with principal amount of HK$2,340,000,000.

37. PLEDGE OF ASSETS

At 31 December 2008, the Group pledged the following assets for credit facilities granted to its subsidiaries:

(a) the Group's investment properties with a total carrying value of HK$2,927,000,000 (2007: HK$17,568,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's hotel buildings and prepaid lease payments with a total carrying value of HK$7,723,671,000 and HK$1,731,319,000 (2007: HK$7,478,040,000 and HK$1,775,924,000) respectively; and

(c) the Group's owner occupied buildings in Hong Kong and prepaid lease payments with a total carrying value of HK$77,648,000 and HK$19,865,000 (2007: HK$368,283,000 and HK$20,031,000), respectively.

38. COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2008, 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$263,440,000 (2007: HK$166,692,000) of which HK$262,896,000 (2007: HK$166,147,000) was contracted for.

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

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK$476,701,000 (2007: HK$711,079,000). The properties held had committed leases mainly 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$9,206,000 (2007: HK$17,473,800).

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:

	2008 **HK$'000**	2007 HK$'000
Within one year	**175,432**	518,493
In the second to fifth years inclusive	**315,408**	814,485
After five years	**17,250**	45,692
	508,090	1,378,670

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:

	2008 **HK$'000**	2007 HK$'000
Within one year	**52,713**	3,575
In the second to fifth years inclusive	**52,092**	2,366
	104,805	5,941

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.

40. 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.

	2008 HK$'000	2007 HK$'000
Transactions for the year ended 31 December		
Trading income	**1,349**	7,574
Rental income	**3,964**	1,619
Management fee received	**1,395**	1,294
Rental charges	**600**	600
Cost and expenses incurred for super-structural works	**65,885**	43,343
Payment for renovation works	**–**	841
Balances as at 31 December		
Amounts due from associates (see note 23)	**12,077**	12,077
Debtors, deposits and prepayments (note a)	**4,775**	3,872
Creditors, deposits and accruals (note b)	**225,821**	287,090

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 13. The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2008 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 in the British Virgin Islands:			
Jolly Trend Limited	2 shares of US$l 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 House Management Limited (formerly known as Eaton Hotels Limited)	10,000 shares of HK$10 each	Management of furnished apartments	100%
Fortuna Wealth Company Limited	2 shares of HK$1 each	Property investment	100%
G E Advertising Agency Limited	2 shares of HK$1 each	Advertising agency	100%

41. 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):			
Great Eagle Hospitality Group Limited	1 share of HK$1	Investment holding	100%
Gold Epoch Investment Limited	2 shares of HK$1 each	Property investment	100%
Great Eagle (China) Investment Limited*	1 share of HK$1	Investment holding	100%
Great Eagle Trading Holdings Limited*	1 share of HK$1	Investment holding	100%
Grow On Development Limited	5,000 shares of HK$1 each	Hotel ownership and operation	100%
Harvest Star International Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Keysen Engineering Company, Limited	2 shares of HK$1 each	Maintenance services	100%
Langham Hotels International Limited	5,000 shares of HK$1 each	Hotel management	100%
Langham Place Hotel (HK) Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Longworth Management Limited	10,000 shares of HK$1 each	Property management	100%
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%

41. 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):			
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%
The Great Eagle Development and Project Management Limited	2 shares of HK$10 each	Project management	100%
The Great Eagle Engineering Company Limited	2 shares of HK$1 each	Maintenance services	100%
The Great Eagle Estate Agents Limited	2 shares of HK$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK$100 each	Financing	100%
The Great Eagle Insurance Agency Limited	1,000 shares of HK$1 each	Insurance agency	100%
The Great Eagle Properties Management Company, Limited	100,000 shares of HK$1 each	Property management	100%
Toptech Co. Limited	2,000,000 shares of HK$1 each	Trading of building materials	100%
Venus Glory Company Limited	2 shares of HK$1 each	Property investment	100%
Worth Bright Company Limited	2 shares of HK$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK$10 each	Property investment	100%

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated in the British Virgin Islands:			
Bright Form Investments Limited*	1 share of US$1	Investment holding of convertible bonds	100%
Fine Noble Limited*	1 share of US$1	Treasury management	100%
Keen Flow Investments Limited*	1 share of US$1	Investment holding of Champion REIT units	100%
Nelsprite Limited	1 share of US$1	Treasury management	100%
Top Domain International Limited	1 share of US$1	Investment holding of Champion REIT units	100%
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%
– incorporated in the British Virgin Islands and operating in Australia:			
Katesbridge Group Limited	1 share of US$1	Investment holding	100%
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%

41. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated in the British Virgin Islands 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	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%

* All these subsidiaries were incorporated during the year ended 31 December 2008.

** The subsidiary was disposed of during the year ended 31 December 2008.

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

None of the subsidiaries had any debt securities subsisting at 31 December 2008 and 2007 or at any time during both years.

42. PARTICULARS OF THE PRINCIPAL ASSOCIATES

Details of the Group's principal associates at 31 December 2008 and 2007 are set out below:

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

43. SUBSEQUENT EVENTS

On 23 February 2009, it was announced that The Great Eagle Company, Limited ("Great Eagle") and Sun Fook Kong Holdings Limited ("SFK") entered into a supplemental agreement ("Supplemental Agreement") pursuant to which, among other things, that the final contract sum for the main contract made as of 12 November 2001 between Renaissance City Development Company Limited and SFK for the composite development project in Mongkok (now known as "Langham Place") had been agreed at approximately HK$3,302 million. The Supplemental Agreement is subject to the independent shareholders' approval.

Pursuant to the Supplemental Agreement, an agreed sum of approximately HK$192 million, being the difference between the final contract sum for the main contract as agreed and the original contract sum under the main contract, is payable by Great Eagle to SFK. It has also been agreed between the parties that Great Eagle will pay accrued interest as from 1 January 2009 up to the date of payment at the rate of 3% per annum to SFK for the remaining payables.

In the event that the independent shareholders' approval is not obtained within 180 days of the date of the Supplemental Agreement (or such other longer period as the parties may agree), the Supplemental Agreement will become null and void.

Appendix I – List of Major Properties

PROPERTIES HELD FOR LONG-TERM INVESTMENT

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON LAND UNDER LONG LEASES			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	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%
ON LAND UNDER MEDIUM-TERM LEASES			
Eaton House, 4H Village Road, Hong Kong	Furnished apartments	23,000	100%
Eaton Hotel, 380 Nathan Road, Kowloon, Hong Kong	Hotel/Commercial	312,000	100%
Langham Hotel, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	364,000	100%
Langham Place Hotel 555 Shanghai Street, Mongkok Kowloon, Hong Kong	Hotel	508,000	100%

PROPERTIES HELD FOR LONG-TERM INVESTMENT (Continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON FREEHOLD LAND			
Langham Hotel, London 1 and 1B Portland Place, Regent Street, London, W1N 4JA, United Kingdom	Hotel/Commercial	390,000	100%
Delta Chelsea Hotel 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
Langham Hotel, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
Langham Hotel, Auckland 83 Symonds Street, Auckland 1, New Zealand	Hotel/Commercial	309,000	100%
Pacific Ygnacio Plaza 500 Ygnacio Valley Road, Walnut Creek, CA 94596, USA	Office	121,000	100%

PROPERTIES HELD FOR LONG-TERM INVESTMENT (Continued)

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

Appendix II – Five Years' Financial Summary

	For the year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	2,830,822	3,521,201	3,772,253	4,182,039	**4,750,433**
Profit (loss) before tax	4,037,820	13,408,911	602,198	4,891,266	**(109,177)**
Income taxes	(746,011)	(2,323,495)	(194,674)	(992,988)	**180,847**
Profit for the year	3,291,809	11,085,416	407,524	3,898,278	**71,670**
Attributable to:					
Equity holders of the Company	3,103,952	10,028,139	405,506	3,898,273	**71,670**
Minority interests	187,857	1,057,277	2,018	5	**–**
	3,291,809	11,085,416	407,524	3,898,278	**71,670**
Earnings per share					
Basic	HK$5.28	HK$16.93	HK$0.68	HK$6.47	**HK$0.12**
Diluted	HK$5.27	HK$16.89	HK$0.68	HK$6.46	**HK$0.12**
ASSETS AND LIABILITIES					
Total assets	35,990,283	48,497,487	33,198,754	38,269,946	**24,403,020**
Total liabilities	(20,492,188)	(22,243,494)	(13,149,819)	(13,188,568)	**(6,428,302)**
	15,498,095	26,253,993	20,048,935	25,081,378	**17,974,718**
Equity attributable to equity holders of the Company	14,640,470	24,339,091	20,048,647	25,081,378	**17,974,718**
Minority interests	857,625	1,914,902	288	–	**–**
	15,498,095	26,253,993	20,048,935	25,081,378	**17,974,718**

Dividend Notice and Financial Calendar

FINAL DIVIDEND

The Board has resolved to recommend to Shareholders at the forthcoming 2009 Annual General Meeting (the "2009 AGM") the payment of a final dividend of HK35 cents per share for the year ended 31 December 2008 (2007: HK35 cents per share) to Shareholders whose names appear on the Register of Members on 27 May 2009. Together with the interim dividend of HK20 cents per share and a special interim dividend of HK$2.7 per share paid on 22 October 2008, the total dividend for the full year will be HK$3.25 per share (2007: HK50 cents per share, including a final dividend of HK35 cents and an interim dividend of HK15 cents), amounting to not less than HK$1,981,408,000 (2007: HK$302,333,000).

Shareholders will be given the option to receive the final dividend in new shares in lieu of cash ("Scrip Dividend Arrangement"). 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 2009 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 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 22 May 2009 to Wednesday, 27 May 2009, both days inclusive, during which period no share transfers will be registered.

In order to receive the final dividend, all properly completed transfer forms accompanies by the relevant share certificates must be lodged with the Hong Kong Branch Registrars of the Company, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 May 2009.

FINANCIAL CALENDAR

Interim Results Announcement	:	16 September 2008
Interim Dividend of HK20 cents per share and Special Interim Dividend of HK$2.7 per share paid	:	22 October 2008
Annual Results Announcement	:	23 March 2009
Closure of Register of Members	:	22 May 2009 – 27 May 2009 (both days inclusive)
Annual General Meeting	:	27 May 2009
Final Dividend of HK35 cents per share Payable	:	on or about 26 June 2009

Great Eagle
Holdings Limited
鷹君集團有限公司

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