Annual Report 2010年報

Heritage Quality Opportunities

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)

Group Profile

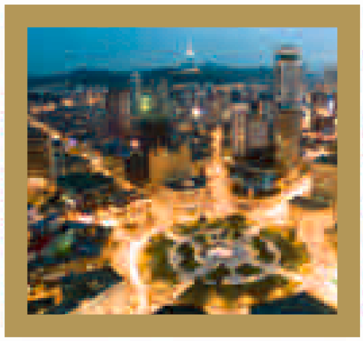
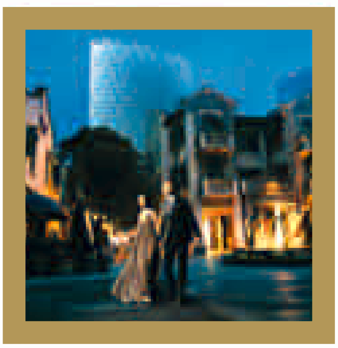
The Great Eagle Group is one of Hong Kong's leading property companies; the Group also owns and manages an extensive international hotel portfolio branded under The "Langham" and its affiliate brands. Headquartered in Hong Kong, the Group develops, invests in and manages high quality office, retail, residential and hotel properties in Asia, North America and Europe.

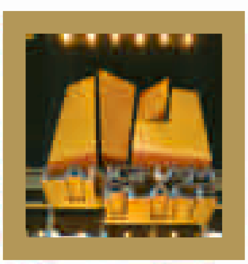
The Group's principal holdings include a 51.43% interest (as at 31 December 2010) in Champion Real Estate Investment Trust, which owns 1.56 million square feet of Grade-A commercial office space in Citibank Plaza in the Central business district of Hong Kong, as well as the office tower and shopping mall of Langham Place comprising a total floor area of 1.29 million square feet in the prime shopping district of Mongkok, Kowloon. In the United States, the Group owns three office buildings with a total floor area of 534,000 square feet. The Group is also active in property management and maintenance services as well as building materials trading.

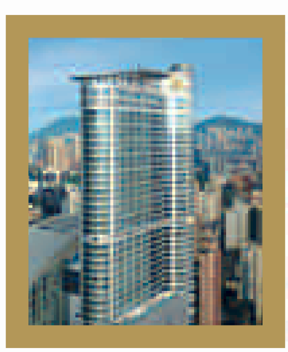
The Group's extensive international hotel portfolio currently comprises thirteen luxury properties with over 5,000 rooms, including ten luxury hotels branded under The Langham and Langham Place brands in the gateway cities of Hong Kong, Shanghai, Beijing, London, Boston, Los Angeles, Melbourne and Auckland; two Eaton Hotels in Hong Kong and Shanghai; 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 with The Great Eagle Company, Limited as its holding company, shares of which were listed on the Hong Kong Stock Exchange in 1972. The Group underwent a re-organisation in 1990 and Great Eagle Holdings Limited, a Bermuda-registered company, became the listed company of the Group in place of The Great Eagle Company, Limited.

Contents



Corporate Information

Directors

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

Non-executive Directors
* Independent Non-executive Directors

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Finance Committee

LO Ka Shui
LO Kai Shui
KAN Tak Kwong

Company Secretary

WONG Mei Ling, Marina

Auditor

Deloitte Touche Tohmatsu

Legal Advisors

JSM
Clifford Chance
Appleby

Principal Bankers

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

Registered Office

Canon's Court, 22 Victoria Street
Hamilton HM12
Bermuda

Principal Office

33rd Floor, Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
Tel: (852) 2827 3668
Fax: (852) 2827 5799

Principal Share Registrars

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

Branch Share Registrars in Hong Kong

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

Website

www.GreatEagle.com.hk

Stock Code

41

Dividend Notice and Financial Calendar

Final Dividend

The Board of Directors recommends the payment of a final dividend of HK38 cents per share for the year ended 31 December 2010 (2009: HK35 cents per share) to shareholders whose names appear on the Registers of Members on Thursday, 12 May 2011 subject to the approval of shareholders at the forthcoming 2011 Annual General Meeting (the "2011 AGM").

Taken together with the interim dividend of HK19 cents per share paid on 15 October 2010, this will make a total dividend for the full year of HK57 cents per share in 2010 (2009 total dividend: HK52 cents per share, comprising a final dividend of HK35 cents and an interim dividend of HK17 cents).

Shareholders will be given the option to receive the final dividend in new shares in lieu of cash ("Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed final dividend at the 2011 AGM; and (2) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Arrangement will be despatched to shareholders together with the form of election for scrip dividend soon after the 2011 AGM. Dividend warrants and share certificates in respect of the proposed final dividend are expected to be despatched to shareholders on 17 June 2011.

Closure of Registers of Members

The Registers of Members of the Company will be closed from Friday, 6 May 2011 to Thursday, 12 May 2011, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2010 final dividend and be entitled to attend and vote at the 2011 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch Share Registrars of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 5 May 2011.

Financial Calendar

2010 Interim Results Announcement	:	20 August 2010
Payment of 2010 Interim Dividend of HK19 cents per share	:	15 October 2010
2010 Annual Results Announcement	:	23 February 2011
Closure of Registers of Members	:	6 May 2011 - 12 May 2011 *(both days inclusive)*
2011 Annual General Meeting	:	12 May 2011
Record Date for 2010 Final Dividend	:	12 May 2011
Payment of 2010 Final Dividend of HK38 cents per share	:	17 June 2011

Financial Highlights

Year ended 31 December

Key Financial Figures	2010 HK$ million	2009 HK$ million	Change
Revenue	**4,694.2**	3,958.4	18.6%
Statutory Profit attributable to equity holders	**4,179.2**	1,182.7	253.4%
Profit from core business after tax	**1,607.0**	1,275.7	26.0%
Profit from core business after tax (per share)	**HK$ 2.58**	HK$ 2.07	24.6%
Final Dividend (per share)	***HK$ 0.38***	*HK$ 0.35*	
Interim Dividend (per share)	***HK$ 0.19***	*HK$ 0.17*	
Total Dividend (per share)	**HK$ 0.57**	HK$ 0.52	

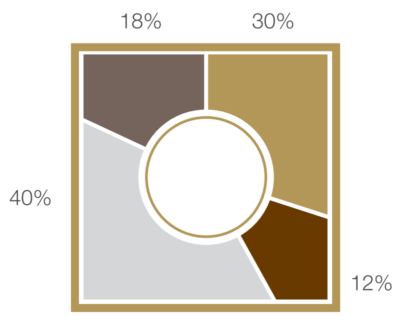
As at the end of December

	2010	2009
Net Gearing	**7%**	12%
Book value (per share)	**HK$46.2**	HK$ 35.9

Employment of Assets

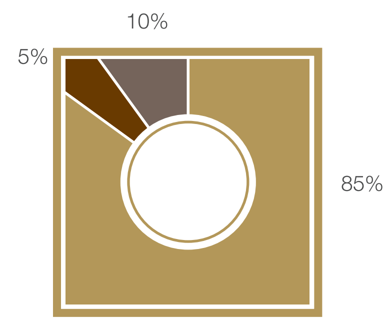
Assets Employed

Total Assets HK$33,852 million



- Hotel Properties
- Investment Properties
- Investment in associates and jointly controlled entity
- Other Assets

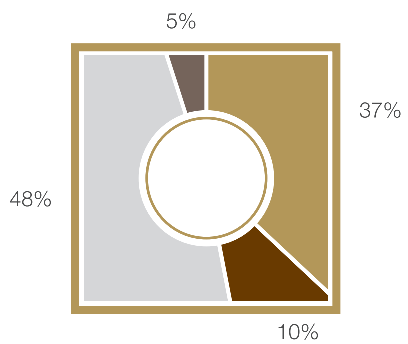
Financed by



- Equity Attributable to Owners of the Company
- Current Liabilities
- Non-current Liabilities

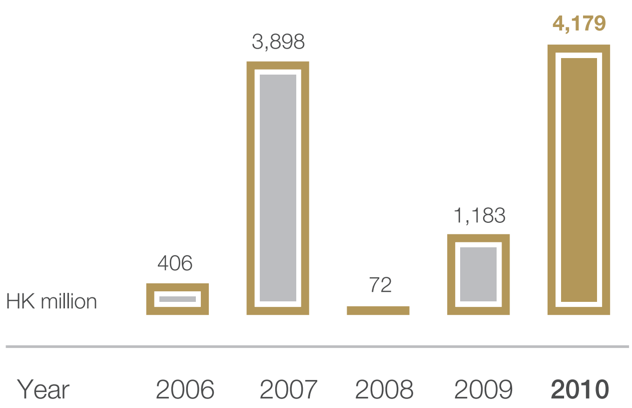
Gross Profit from Operations

HK$1,805 million

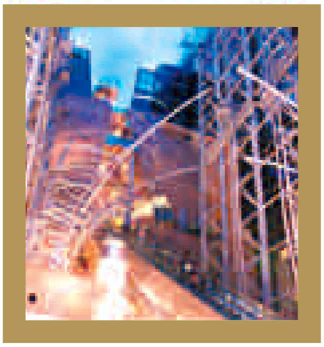


- Hotels Operation Income
- Rental Income
- Income from Champion REIT
- Other Income

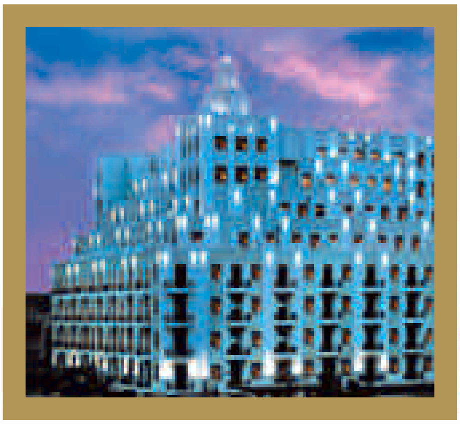
Profit Attributable to Owners of the Company



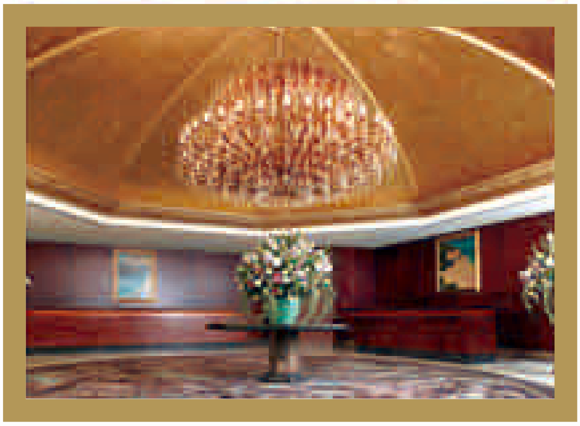
Chairman's Statement



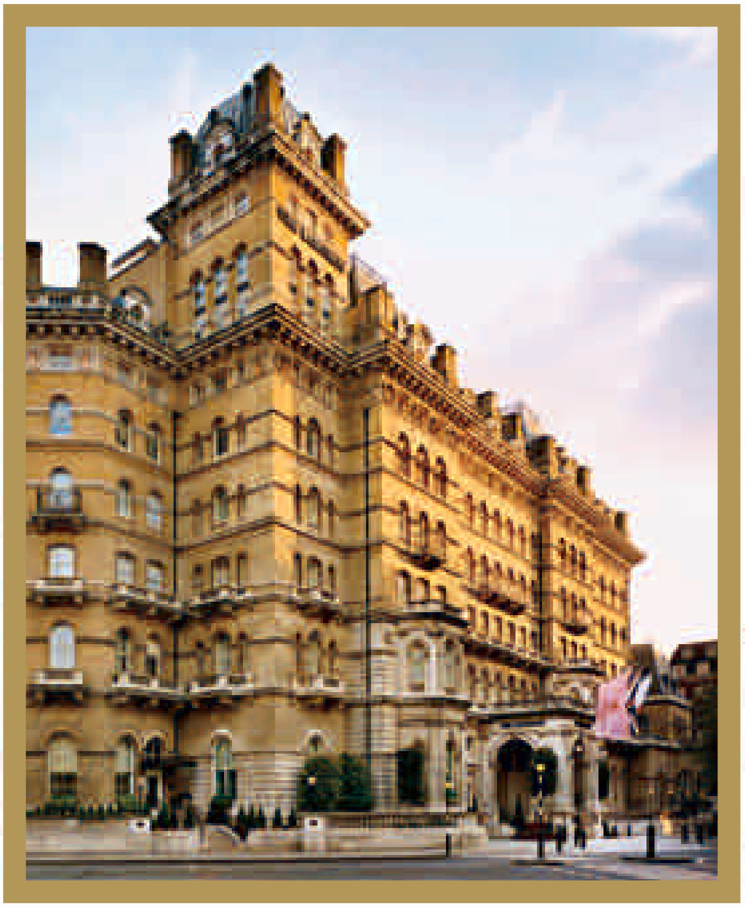
Langham Place
Shopping Mall



The Langham, Yangtze Boutique, Shanghai



Lobby of The Langham, Auckland



The Langham, London

In addition to the bookings of non-trading items like the increase in fair value of the Group's investment properties, the Group's reported statutory profit in 2010 was significantly lifted by the share of results of Champion REIT, as our investment in the REIT was reclassified as an associate company from 23 July 2010. However, in order to provide the same basis for comparison, the Group's core profit will be based on dividend received from Champion REIT, which is consistent with past practices.

Infinity Suite at The Langham, London

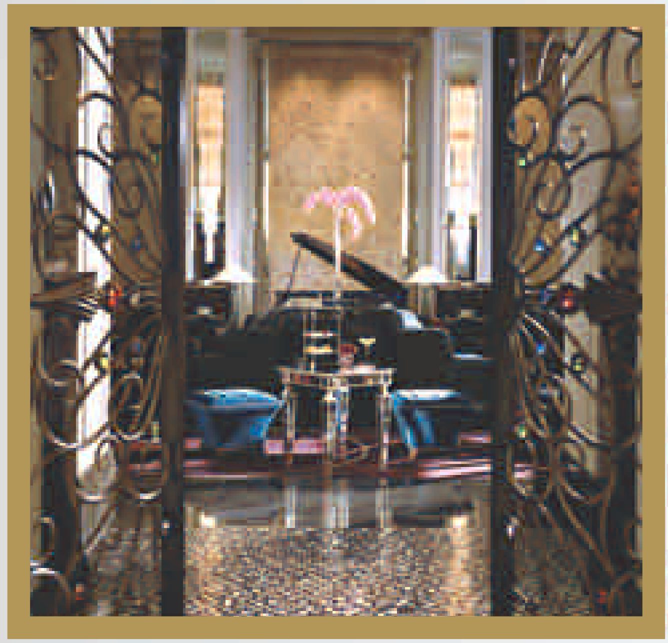
Overview

Continued improvement was witnessed in our overall businesses in 2010 as the global economic recovery gathered pace. Core profit increased 26.0% from HK$1,275.7 million in 2009 to HK$1,607.0 million in 2010. The key driver was our hotels business, where operating income increased 53.8% from HK$428.8 million in 2009 to HK$659.6 million in 2010. Net rental income from investment properties increased 9% from HK$164.2 million in 2009 to HK$179.1 million in 2010. Income from Champion REIT increased 1.3% from HK$848.2 million in 2009 to HK$858.9 million in 2010. The profit for 2010 was also aided by an increase of HK$124.6 million in other income, which included a one-time gain of HK$220.1 million arising from the buy-back at a discount of the debts associated with the Pasadena hotel and the office property at 2700 Ygnacio in California.

Art at The Langham, Hong Kong

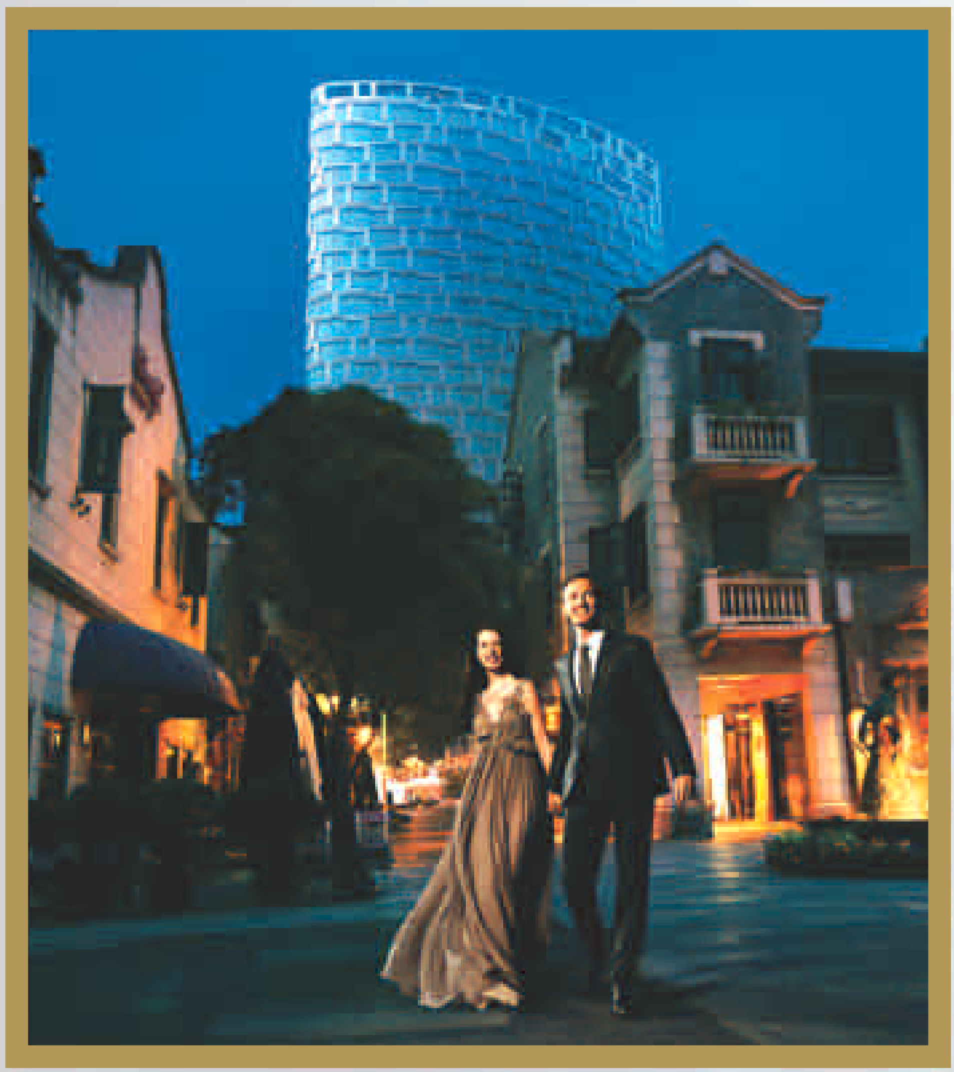
T Garden at Eaton Smart, Hong Kong

The Langham, London

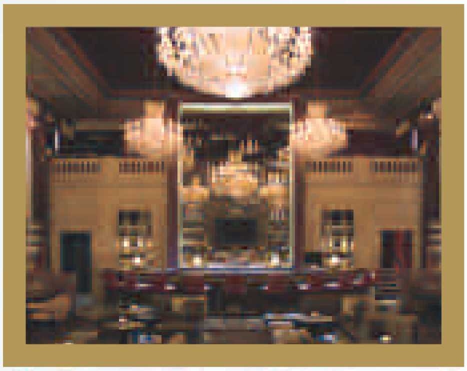


Palm Court at The Langham, London

Studio Suite at The Langham, Auckland



The Langham, Xintiandi, Shanghai



BOND at The Langham, Boston

THE LANGHAM

Hotels and Resorts

The Langham Huntington, Pasadena, Los Angeles

The Langham is a luxury hotel brand that presents exceptional, bespoke service in a luxury environment of timeless elegance.

Rich in traditions and refined for over 140 years, The Langham is a world of breathtaking indulgence and enchantment that captivates the senses.

LANGHAM PLACE
HOTELS AND RESORTS

Langham Place is a dynamic lifestyle brand that challenges the conventional definition of luxury with a new and exciting hotel experience that entertains, engages and delights.

It is a unique concept in hospitality and an inspiration for the creative and the adventurous.

Langham Place, Mongkok, Hong Kong

Interior design of Langham Place, Mongkok, Hong Kong

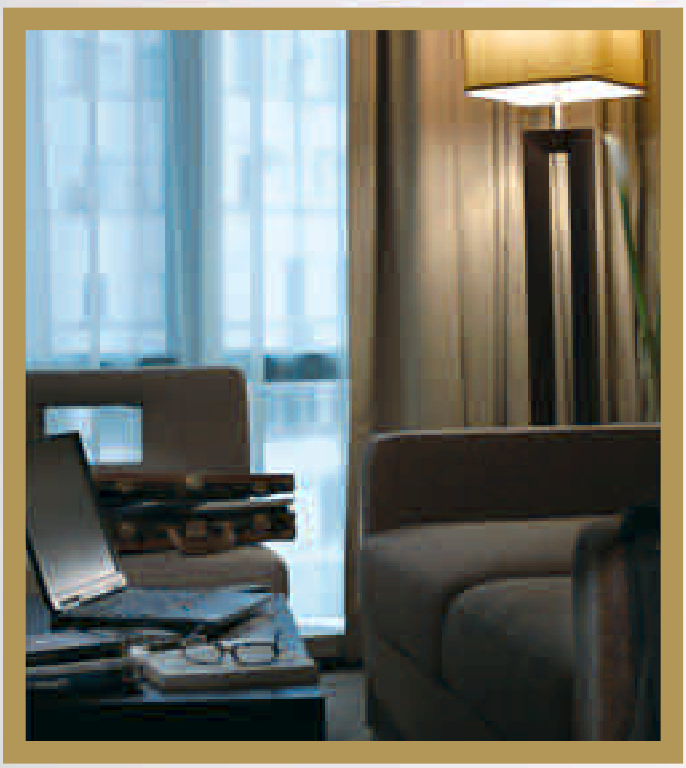
DJ in Residence at Langham Place, Mongkok, Hong Kong

Entrance of Langham Place, Mongkok, Hong Kong

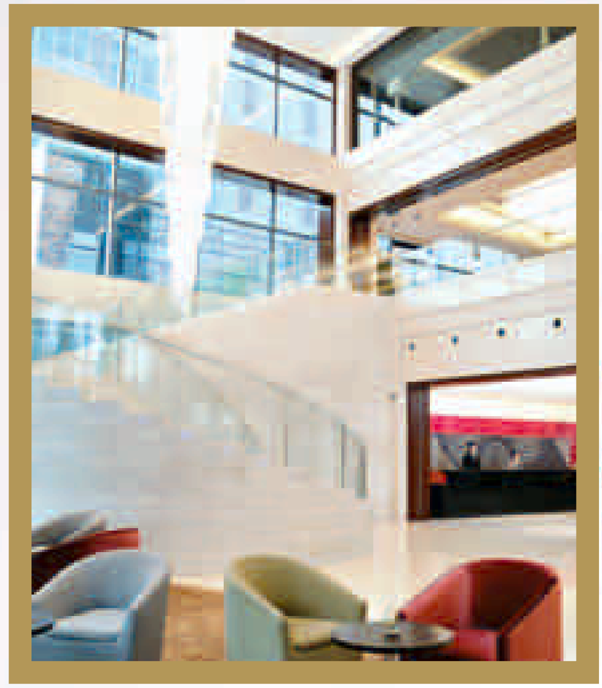
Art at Langham Place, Mongkok, Hong Kong

Ming Court at Langham Place, Beijing Capital Airport

Staff with "Can-Do" Spirit



Living room of E Suite at Eaton Smart, Hong Kong



Lobby of Eaton Luxe, Nanqiao, Shanghai

Exterior of Eaton Luxe, Nanqiao, Shanghai

EATON

HOTELS

Exterior of Eaton Smart, Hong Kong

Eaton is a multi-tiered brand that features clever modern design and spirited “Can Do” service.

Eaton is all about keeping things simple, sustainable and accessible. Delivering “Everything You Need”.

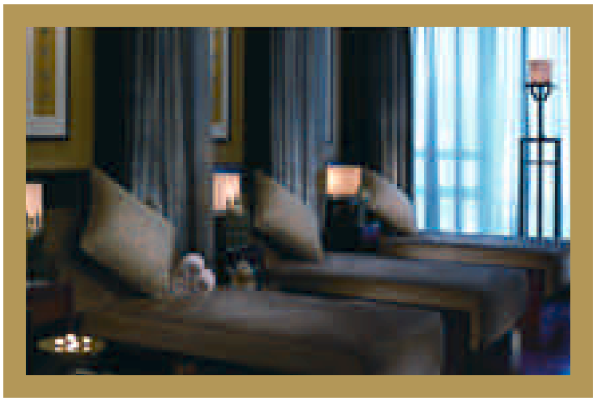
Business Review

Hotels Division

The recovery in business and leisure travel gained momentum in 2010. The Hong Kong hotels moved from strength to strength as the strong growth in tourist arrivals continued, leading to healthy increases in occupancy rates at all three hotels. Gross revenue for Hong Kong rose 13.2% from HK$1,113.4 million in 2009 to HK$1,260.3 million in 2010. At the hotels outside of Hong Kong, the performance had been uneven at different countries. While London turned around solidly after the completion of a major renovation, our hotels in the U.S. generally lagged behind in terms of their pace of recovery. However revenue from our hotels outside of Hong Kong, coming off a low base of 2009, increased by 28.5% in 2010. Total revenue of the Hotels Division increased 22.4% year-on-year to HK$3,269.4 million in 2010.

EBITDA from the Hotels Division rose 53.8% year-on-year to HK$659.6 million in 2010. The major contributor was Hong Kong, which generated HK$412.5 million in 2010, a 17.9% growth over the prior year. At the hotels outside of Hong

	Year ended 31 December		
	2010	2009	Change
	HK$ million	HK$ million (Restated)	
Revenue			
Hong Kong Hotels	**1,260.3**	1,113.4	+ 13.2%
Hotels Outside of Hong Kong	**1,997.4**	1,554.1	+ 28.5%
Others	**11.7**	3.1	+ 276.0%
Total Hotel Revenue	**3,269.4**	2,670.6	+ 22.4%
EBITDA			
Hong Kong Hotels	**412.5**	349.9	+ 17.9%
Hotels Outside of Hong Kong	**235.4**	76.6	+ 207.3%
Others	**11.7**	2.4	+ 393.5%
Total Hotel Net Operating Income	**659.6**	428.8	+ 53.8%



Chuan Spa at Langham Place, Mongkok, Hong Kong

Kong, EBITDA increased by a marked 207.3% from HK$76.6 million in 2009 to HK$235.4 million in 2010. The key factor there was the renewed profit contribution from The Langham London, which was operating at closer to its full inventory with 350 rooms in 2010 and achieved a higher occupancy thereof. EBITDA from the Hotels Division would have been higher, had there not been a one-off provision associated with the rebranding of the Xintiandi hotel in Shanghai.

In 2010, there were three additions to the hotel portfolio, namely, the 204-room Eaton Luxe in Nanqiao, Shanghai, the 376-room Langham Place, Beijing Capital Airport and the 357-room The Langham, Xintiandi, Shanghai. The first two hotels are operated under pure hotel management contracts, whereas the Group has a one-third equity stake in the Xintiandi property.

Continuing our strategy of building the global franchise of the Langham brand, we have in December 2010 acquired a 100% interest in a 330-room hotel redevelopment project in downtown Chicago. The redevelopment is currently scheduled for completion in 2013 and the hotel is expected to be branded a Langham. This investment is supported by its bottom-of-the-cycle valuation and is part of the Group's strategy to own hotels in strategic gateway cities that will anchor our hotel brand.

Hong Kong Hotels

The Langham, Hong Kong

The trend in corporate activities remained robust in 2010. The increased demand for hotel rooms, and hence a higher level of occupancy, enabled the Hotel to raise room rates, especially in the higher-yield retail business. However, heightened competition in the market has led to slower banquet business, especially from the wedding segment. Nevertheless, with increased covers and average spend in the restaurants, revenue from food and beverage in 2010 managed to remain in line with 2009.

For the year 2010, the hotel achieved an average occupancy of 80% (2009: 73%) and average room rate of HK$1,779 (2009: HK$1,575 re-based*).

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

Langham Place, Mongkok, Hong Kong

Room revenue was boosted by corporate and leisure travel, with significant pick up in average room rate in the last quarter of 2010. Corporate functions and the strong performance of the restaurants contributed to an 8% growth in food and beverage revenue in 2010, notwithstanding a slow down in wedding banquet business due to increased competition.

For the year 2010, the hotel achieved an average occupancy of 85% (2009: 76%) and average room rate of HK$1,487 (2009: HK$1,324 re-based).

Eaton Smart, Hong Kong

The hotel unveiled its renovated lobby and restaurants in the fourth quarter of 2010 and was re-branded as Eaton Smart Hong Kong. Active demand for rooms from both corporate and retail travellers allowed the Hotel to further increase its occupancy and to raise room rates towards the latter part of 2010. For the full year in 2010, Revenue Par Available Room ("RevPAR") increased by 27% year-on-year to reach HK$782. On the other hand, with slower banqueting demand from the wedding segment, as well as closure of restaurants during the hotel renovation in the third quarter of 2010, revenue from food and beverage dropped by 12% year-on-year in 2010.

For the year 2010, the hotel achieved an average occupancy of 87% (2009: 78%) and average room rate of HK$900 (2009: HK$794 re-based).

Hotels Outside of Hong Kong

The Langham, London

Following the major renovations of the previous two years, the hotel managed a major turnaround in 2010. The hotel traded with an average rooms availability of 350 in 2010, as compared to 284 rooms in 2009. Capitalising on a citywide recovery and the repositioning of the hotel, strong revenue gains were achieved in 2010. The hotel saw a gain in occupancy rates on the enlarged rooms base. At the same time, it managed a 15% increase in average room rates in 2010 on better penetration in the higher-yield retail and group business.

For the year 2010, the hotel achieved an average occupancy of 75% on 350 rooms available (2009: 61% on 284 rooms available) and average room rate of ￡252 (2009: ￡219).

The Langham, Boston

After a slow start in 2010, a gradual increase in number of citywide conventions in Boston was witnessed. The increase in meeting and conference business, as well as an increase in corporate and roadshow activities from the financial sector led to a 9 percentage points gain in occupancy for Langham Boston for 2010 over that of 2009. However, due to continued market competition, average room rate grew only moderately in 2010. Revenue from food and beverage was steady.

For the year 2010, the hotel achieved an average occupancy of 68% (2009: 59%) and average room rate of US$219 (2009: US$213).

The Langham, Melbourne

The hotel was undergoing room renovation during August to October 2010. Therefore there was an average of 372 rooms available in 2010, as compared to 387 rooms in 2009. In the face of new supply of hotel rooms in the market, average room rate declined only 3% year-on-year, but occupancy rose 13 percentage points due to steady demand in retail and corporate business. Revenue from food and beverage increased by 13% year-on-year in 2010, and was supported by increase in both average check and covers. Completion of the first phase of room refurbishment in the fourth quarter of 2010 is expected to help the hotel capture market share and strengthen room rates.

For the year 2010, the hotel achieved occupancy of 80% on an average of 372 rooms (2009: 67% on an average of 387 rooms) and an average room rate of A$252 (2009: A$260).

The Langham, Auckland

Mild increases in room rates and occupancy were observed for Langham Auckland in 2010. The improvement was primarily on the back of increased market share for the Hotel in a stable lodging industry for Auckland in 2010. The re-opening of the ballroom in March 2010 helped drove revenue from food and beverage, which increased 65% year-on-year in 2010.

For the year December 2010, the hotel achieved an occupancy of 66% (2009: 62%) and an average room rate of NZ$174 (2009: NZ$168).

The Langham Huntington, Pasadena, Los Angeles

Stagnant market conditions, and hence a shortage of meetings and conference business, continued to impact the performance on the Hotel in 2010. There were modest gains in both occupancy and achieved room rates in 2010. However they remained at relatively low levels, which were unable to turn a profit for the hotel in 2010.

For the year 2010, the hotel achieved occupancy of 55% (2009: 47%) and an average room rate of US$217 (2009: US$224).

The Langham, Xintiandi, Shanghai

The 357-room luxury hotel soft opened in October 2010. At the end of 2010, 100 rooms were opened, with full operations scheduled for July 2011. With its modern design and high-profile location at the entrance to the bustling shopping and entertainment hub of Xintiandi, the hotel has been able to capture higher-yield retail and group business despite its recent opening. Demand for banqueting services from the corporate segment has also been encouraging.

Delta Chelsea Hotel, Toronto

The performance of the hotel has improved since the second quarter of 2010, with the return of leisure travel and large citywide events. Despite intense market competition, average room rate managed an increase of 3% in 2010, whereas occupancy rose by 2 percentage points in 2010. Revenue from food and beverage was on the other hand impacted by lower covers and average check at the restaurants.

For the year December 2010, the hotel achieved an occupancy of 68% (2009: 66%) and an average room rate of C$126 (2009: C$122).

Champion REIT
冠君產業信託

Champion REIT is a real estate investment trust formed to own and invest in an income-producing portfolio of commercial properties primarily in Asia.

Currently, Champion REIT owns approximately 2.2 million sq. ft. of grade ‘A’ office space and 650,000 sq. ft. of prime retail space in Hong Kong.

The trust’s assets are located in Citibank Plaza, in Central on Hong Kong Island and Langham Place, an integrated project in the commercial district of Mongkok, on the Kowloon Peninsula.

Langham Place Office Tower

Expresscalators at Langham Place Mall

Lobby of Citibank Plaza

Langham Place Arglyle Street Entrance

Exterior of Citibank Plaza

Citibank Plaza

Income from Champion REIT

As mentioned at the beginning of this Management's Discussion and Analysis, due to the reclassification of our investment in Champion REIT as an associate company from 23 July 2010, the share of results from Champion REIT from 23 July 2010 were included in the Group's statutory profit. In addition, given this is a transitional year, distributions received over the second half of 2009 and first half of 2010 were also included. However, to provide the same basis for comparison, the Group's core profit is based on dividend received from Champion REIT, which is consistent with past practices.

Due to the Group's accounting policy of recognizing distribution income from Champion REIT at the date of payment of the distribution, the income statement of the Group for a six-month period reflects the distribution declared by the Champion REIT for the immediately preceding six-month period. Therefore the income statement for 2010 recognised the distributions made by Champion REIT for the second half of 2009 and the first half of 2010. On that basis, distribution income from Champion REIT increased by 3.1% year-on-year to HK$597.0 million.

On the other hand, management fee income from Champion REIT decreased 2.7% year-on-year from HK$269.3 million in 2009 to HK$261.9 million in 2010, reflecting a decline in asset management fee in line with the lower net property income at Citibank Plaza.

Citibank Plaza

There was a recovery in the office leasing market in Central in 2010 as financial institutions gradually reversed their trend of downsizing. The arrival of a significant number of fund management companies to capitalize on China investment opportunities, together with the supporting legal trade, generated substantial demand. However, occupancy rate at Citibank Plaza decreased from 87.6% at the beginning of the year to 81.5% as at the end of 2010, because of earlier competition from some other landlords who offered long-term fixed-rate leases at relatively low rents. Passing rental rates (the average rental rate of existing contracted tenancies) at Citibank Plaza weakened in the first half of 2010 but stabilized at the HK$84-85 per sq. ft. level for the second half.

Langham Place Office Tower

Leasing conditions for the offices at Langham Place have been stable. The Office Tower had a slightly higher occupancy rate of 99.4% as of 31 December 2010, as compared to 98.5% a year ago. This was notwithstanding the expiry of 35% of leases by floor area during the year and the strong price competition from new supply in the peripheral districts in Kowloon East. Langham Place's MTR location and the outstanding quality of the building have been important factors in retaining tenants and maintaining a high occupancy. For 2010, passing rents were stable and continued to remain within a narrow range centered around HK$26.50 per sq. ft.

Langham Place Mall

Despite the opening of a few new shopping malls in nearby Tsim Sha Tsui, the convenient location of the Langham Place Mall, its attractive shop offerings and its well conceived and executed marketing programmes ensured its status as one of the most popular shopping malls in Kowloon, among local shoppers and tourists alike. The Mall enjoyed very high levels of foot traffic and remained virtually fully let throughout 2010. Driven by a constantly improving mix of quality retailers and a robust retail market, the average sales per sq. ft. of the shops in the Mall improved by 18% year on year. The surge in spending by Mainland tourists, who now consider Langham Place one of their favourite destinations, on cosmetics and fashion has also been a major factor behind the growth. The average passing rent rate increased from HK$88.61 per sq. ft. at the beginning of 2010 to HK$97.48 at year-end.

Development
Project

Dalian Project, on 15 October 2009, the Group acquired a site at the Donggang area, Renmin Road East, Zhongshan District, Dalian. The Donggang area is the extension of the existing Renmin Road Central Business District and posses significant growth potential.

Zhongshan Square and surrounding skyline at dusk

Dalian mixed-use development project

Sketch plan for the Dalian mixed-use development project

286,000 sq.m.
Aggregate Gross Floor Area

236,000 sq.m.
Apartment Gross Floor Area

50,000 sq.m.
Hotel Gross Floor Area

1,200
High-end Apartments

361 Room
Luxury International Hotel

Development Project

Dalian mixed-use development project

Progress at our mixed-use development project in Dalian, which comprises of approximately 1,200 high-rise luxury apartments and a 361-room Langham-branded luxury hotel, has been moving forward generally in accordance with our initial plan. The excavation works which commenced in the third quarter of 2010 is expected to finish in the first quarter of 2011, whereupon the foundation works will begin. Up to the end of December 2010, the Group has invested HK$520 million in respect of its 50% stake in the project.

Investment Properties

Great Eagle Centre

The lack of new supply in the Wanchai area, the relocation of cost-sensitive tenants from Central, coupled with strong demand from the service sector and Mainland Chinese companies have kept the office portion of Great Eagle Centre at close to full occupancy throughout 2010. With the strong occupancy, we were able to progressively raise spot rents through 2010 from the high HK$40's per sq. ft. at the beginning of the year to high HK$50's towards the end of 2010.

As the leases due for renewal in 2010 had been written during the last peaks of 2007 and 2008, when market rents were higher than those of 2010, there was therefore a small amount of negative rent rate reversion in 2010. Average passing rent at Great Eagle Centre at the end of December 2010 was 2% lower than that achieved at the beginning of the year. However, gross rental income increased by 4.2% year-on-year to HK$105.5 million in 2010 due to the higher average occupancy, as well as full year rental income contribution from an anchor tenant whose lease was renewed at a higher rental rate than its previous lease in the second quarter of 2009.

Net rental income rose 13.9% year-on-year to HK$102.2 million due to lower vacancy costs and a lower base for comparison, as net rental income in 2009 was impacted by booking of additional expenses related to the relocation and upgrading of the cooling water pumping facilities.

Eaton Serviced Apartments

The Eaton serviced apartments have benefitted from increased business activities and inflow of expatriates to Hong Kong in 2010 with generally higher occupancy. Rental rates achieved in the second half of 2010 at the Wanchai Gap Road and Village Road properties posted year-on-year growth in 2010. Occupancy also rose at the Blue Pool Road property, but the average rental rate achieved in the second half of 2010 was still lower than that achieved over the prior year, although the year-on-year decline in rental rates has been narrowing.

Eaton House

Overall, average occupancy rate at the three properties rose 22 percentage points year-on-year to 78.5% in 2010, whereas rental rates achieved dropped by 12% year-on-year to HK$33.6 per sq. ft over 2010. Gross rental income increased 20.9% year-on-year to HK$34.9 million, whereas net rental income increased 37.3% year-on-year to HK$23.9 million on the back of aggressive cost control.

United States Properties

All of our three properties in the U.S. have maintained their high occupancy levels throughout 2010 through renewal and new lettings, despite the sluggish demand for office space from the corporate sector in the area. Overall occupancy for the portfolio stood at 90% as at the end of 2010, whereas average rent rate achieved came in steady at US$36.4 per sq. ft for 2010. With full year rental income contribution from tenants secured in 2009 and higher occupancy at the Sacramento property, gross rental income for our U.S. properties increased by 3.1% year-on-year to HK$117.7 million in 2010. However, due to increased tenant inducement costs associated with the new lettings at 500 Ygnacio and 2700 Ygnacio, net rental income declined by 7.8% year-on-year to HK$46.7 million in 2010.

Financial Review

Debt

Gross debts denominated in HK dollars amounted to HK$1,316 million as of 31 December 2010. Our foreign currency gross debts as of 31 December 2010 amounted to the equivalent of HK$2,168 million, of which the equivalent of HK$499 million, or 23.0% of our foreign currency debts, was on fixed-rate basis. Net of cash and bank deposits that matures within 3 months totalling the equivalent of HK$1,553 million, our consolidated net debt outstanding as of 31 December 2010 was HK$1,931 million, an decrease of HK$661 million from that of HK$2,592 million as of 31 December 2009.

Because of the persistent low interest rate environment and in order to enhance return to shareholders, as a normal treasury function the Group has been prudently investing in quality short-term bonds which are intended to be held to maturity, and full principal protected structured deposits and notes with reputable banks and financial institutions as counter-parties. As at 31 December 2010, investment in these bonds, structured deposits and notes amounted to HK$308 million. Should this amount be taken into account, the consolidated net borrowing of the Group would be reduced to HK$1,623 million.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 31 December 2010 and the depreciated costs of the Group's hotel properties, amounted to HK$28,764 million as of 31 December 2010. The net assets value at 31 December 2010 represents an increase of HK$6,447 million compared to the value of HK$22,317 million as of 31 December 2009, mainly attributable to the profit for the year, and the equity account for the Group's investment in Champion REIT units with effect from 23 July 2010. Based on the consolidated net debt of HK$1,931 million, the resulting gearing ratio at 31 December 2010 was 7%. Should the investment in bonds, structured deposits and notes mentioned above be recognized in the calculation, the gearing ratio will be reduced to 6%.

Finance Cost

During the year, market interest rate has remained at an extremely low level. Coupled with the high interest income from the Group's investment in Champion REIT convertible bonds, the Group has earned a net interest income of HK$52 million for the year. Consequently, there is no applicable interest cover ratio as at the balance sheet dates.

Liquidity and Debt Maturity Profile

As of 31 December 2010, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK$3,197 million. The majority of our loan facilities is short or medium term in nature and is secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 31 December 2010:

Within 1 year	22.9%
1-2 years	73.5%
3-5 years	3.6%

Pledge of Assets

At 31 December 2010, properties of the Group with a total carrying value of approximately HK$9,615 million (31 December 2009: HK$9,895 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

Commitments and Contingent Liabilities

As at 31 December 2010, the Group has authorised capital expenditures not provided for in these financial statements amounting to approximately HK$74 million (31 December 2009: HK$309 million) of which approximately HK$70 million (31 December 2009: HK$309 million) was contracted for.

As at 31 December 2010, the Group has outstanding financial commitment of RMB180 million (equivalent to HK$211 million) for capital injection to a jointly controlled entity, and commitment of RMB233 million (equivalent to HK$275 million) for construction cost to complete a hotel property owned by an associate.

In addition to the above, as at 31 December 2010 the Group has provided a several corporate guarantee and a charge over its interest in the share capital of an associate to a bank in respect of its share, i.e US$19.5 million of total banking facility of US$117 million granted to an associate.

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 31 December 2010.

Outlook

In 2011, our businesses should benefit from the generally positive outlook of the economies in Hong Kong and China.

Up to now, arrivals of affluent Chinese travellers from the Mainland have shown no signs of slowing down. Corporate travel will also be supported by robust economic activities in the region. Our Hong Kong hotels should perform well under these circumstances. However as all three hotels are already operating at or near their peak occupancy levels, the driver for RevPAR growth in 2011 will have to come mainly from further increases in room rates.

After completion of its overhaul in 2010, The Langham London has successfully repositioned itself among the leading luxury hotels in Central London. In a stable economic environment, there should be room for further gains in its occupancy and room rates in the coming year. The outlook for our hotels in Australia and New Zealand should also be stable in view of the favourable economic situations over there. For our hotels in the United States, while we anticipate the demand for rooms may be constrained by the relatively slow pace of economic recovery, there should be some modest improvement in their performance in 2011. Capital constraints of the last several years will lead to lower completions of new hotels in the United States. This could provide the platform for more meaningful RevPAR growth for our U.S. hotel in the following years.

The trend of increasing occupancy and escalating rent rates in the Central office market will be favourable to Champion REIT in the coming year. Citibank Plaza, its biggest asset, is located in Central where no large Grade-A office developments are scheduled for completion. While the property carried a 18.5% vacancy at the beginning of 2011, more than half of the existing vacant area will see tenant occupation before mid 2011, based on contracts already signed. Together with the steady income contribution from Langham Place Office Tower and Langham Place Mall, revenue for the Champion REIT's will likely show an improvement over 2010. However, distributions of Champion REIT will depend on a number of factors, including the level of interest expense upon refinancing of the debt on the Citibank Plaza property in May 2011.

Thus far, the growth in the local economy has been robust. However, the growth has been in part driven by the vast amount of liquidity in the system, and in part by the exceptional growth in Mainland tourist arrivals. Hong Kong's economy is now inextricably tied to the state of the China economy. Under the threat of rising inflation, the Central Government will introduce more control measures, including the gradual raising of RMB interest rates. Any subsequent cool down in the China economy could negatively affect the prospects of Hong Kong. We are mindful of these risks and their potential impact on our businesses in the region.

Atrium of Langham Place Mall

With regard to new investments, development opportunities in Mainland China remain high on our agenda, especially mixed-use development projects that generally generate higher financial returns. Economic growth in Mainland China is amongst the fastest in the world, where increasing urbanization and rising incomes will support property price growth in the long term. That should offer a favourable risk return profile for the Group. While we will be capitalizing on volatility in the marketplace to capture opportunities for new investments on a highly selective basis, we will continue to manage our finances prudently to ensure a manageable level of debts and a high level of liquidity.

LO Ka Shui
Chairman and Managing Director

Hong Kong, 23 February 2011

A Group-Sponsored two-day Recreational Tour to Shenzhen, China

The Langham, Auckland at Earth Hour 2010

Fundraising for Sichuan earthquake relief at Langham Place Mall

Corporate Social *Responsibility*

Charity walk

The Great Eagle Group places great importance on the role of Corporate Social Responsibility, as we view it as a link to the society in which our businesses operate. We are committed to managing our businesses in such a way that they add social, environmental and economic value to our society.

The Langham, Melbourne: Environmental Best Practice Hotel of the Year

Corporate Social Responsibility has been integral to the Group's business ever since the Group's founding in 1963. Our commitment to CSR stems from a core belief that our business will prosper as the community and environment around us flourish.

Environmental Sustainability

As a founding Council Member of the Business Environment Council, the Group has long committed to keeping the environmental footprint of our properties to a minimum, both during the initial design and construction phases, as well as throughout the life of the building. The HK BEAM (Hong Kong Buildings Environmental Assessment Method) Society has certified two properties owned and/or managed by the Group – Great Eagle Centre and Langham Place Office Tower – even awarding the latter the Society's highest "Excellent" rating. Since the completion of Langham Place Mall in 2004, continued innovation has facilitated energy savings of nearly 25% and the reduction of more than 3,000 tonnes of carbon dioxide emissions. Such energy savings have been achieved through retrofits and other measures, such as the installation of T5 fluorescent tubes; Variable Speed Drives for chilled water plants, chilled water pumps, air handling units, and carpark ventilation systems; Temperature Reset for chilled water supply and Fresh Air On-Demand Control for air handling units. Furthermore, collection areas have been set up at each of our Hong Kong commercial properties to encourage tenants to separate and recycle paper products, aluminium cans, plastic bottles, batteries, halogen or fluorescent lamps, and other recyclable materials. To encourage patrons to use environmentally-friendly modes of transport, at least one electric vehicle recharging station was installed at each of our Hong Kong commercial properties in 2010.

Our concern for the environment extends into our hotel business. At Langham Hotels International, the "Guests of the Earth" and "Green Team" programmes promote active participation, learning and awareness of environmental protection for hotel guests and staff respectively. The EC3 Global EarthCheck Programme – an independent auditing and monitoring service for the travel and tourism industry – has, as of January 2011, awarded five of our hotels "Certified Silver" status, and another three hotels "Benchmarked Bronze" status. Local governments and industry associations have also recognized our passion for and efforts in environmental protection with numerous prestigious awards. To wit, in 2010, Langham Place Hotel Hong Kong received the Gold Award in the Hotels and Restaurant Sector of the Hong Kong Awards for Environmental Excellence, and The Langham Melbourne was named Environmental Best Practice Hotel of the Year for the State of Victoria in Australia.

Workplace Quality

The Group relies on talented and committed professionals to operate its array of businesses. In addition to offering a generous compensation and benefits package, the Group provides training opportunities to staff of all levels. Frontline property management staff receive regular occupational health and safety training tailored to their particular work environment. Corporate Training and Executive Development Programmes are provided to the Group's middle and senior management staff so that they can continually develop their leadership skills. Aside from the training programmes organized by the Group, education subsidies are offered to encourage staff to pursue continuing education with accredited tertiary academic institutions.

Group-sponsored painting event

The Group recognizes that productive employees are those who maintain a healthy work-life balance. To this end, during the year, the Group's hotel employees participated in various wellness classes in self-defence, tai chi, yoga, kickboxing, and cooking. The Group also organized recreational events such as a one-day tour to Hong Kong Disneyland, a two-day tour to Mainland China, and a Christmas party, all of which helped facilitate staff's networking across the Group's numerous businesses and promote team spirit.

Corporate Governance

The Group is committed to adhering to the highest ethical standards. All employees are given a Code of Conduct to which they are expected to adhere. The Code outlines the Group's expectations of staff with regard to dishonest or corrupt behaviour and conflicts of interest. A 24-hour hotline is available for employees to report suspicious activity in a completely confidential and fully anonymous manner. An internal controls system is in place, administered and overseen by an Internal Audit Department and the Board of Directors' Audit Committee.

A full Corporate Governance Report is available from pages 38 to 50 of this annual report.

Community Investment

The Group has been a staunch supporter of healthcare and the arts to promote the physical and mental well-being of the community. In healthcare, the Group contributed towards the establishment of one of the Hong Kong Cancer Fund's new CancerLink Centres. Throughout 2010, the Group also made donations to The Hong Kong Anti-Cancer Society, the Hospital Authority of Hong Kong, the Hong Kong College of Cardiology, and Seeing is Believing. As for the arts, the Group supported artistic development in Hong Kong by donating a scholarship to the Hong Kong Academy for Performing Arts to support one full-time student majoring in the Piano at the Academy's School of Music. The Group also provided sponsorship to Hong Kong Arts Festival Society, Hong Kong Arts Centre, China Arts Foundation, and Opera Hong Kong.

In addition to the cash donations made by the Group, our Volunteer Team proactively reached out to the community to provide assistance to underprivileged groups and raise funds for deserving causes. Among the many activities organized by the Volunteer Team in 2010 were: visiting singleton elderly with the Senior Citizen Home Safety Association in Hong Kong, taking ill children living in Ronald

Group volunteers visiting singleton elderly

McDonald House to visit the Hong Kong Science Museum, and organizing games for 4-6 year old children with developmental delays at the Cheung Sha Wan Heep Hong Centre.

Besides promoting employee volunteerism, the Group also provided public space at properties under our management pro bono for non-profit organizations to host promotional or fundraising events. For example, the Group's volunteers raised funds by selling mooncakes for The Intellectually Disabled Education and Advocacy League at Langham Place Mall. During the holiday season, the mall hosted a carol singing event organized by The Child Development Matching Fund.

Our community engagement activities have extended beyond Hong Kong to wherever the Group has properties. For instance, colleagues at The Langham Boston volunteered at Community Servings, which provides free home-delivered meals to needy citizens. The Langham Auckland treated hearing-impaired children and their families from The Hearing House to a special Wonderland Afternoon Tea. Colleagues at The Langham Huntington, Pasadena wore pink to work on Lee National Denim Day to raise funds for cancer research. Meanwhile, The Langham London donated a total of 632 pounds of clothing to Second Chance, an organization that distributes clothing to low-income and homeless people.

Looking Forward

The Group believes that Corporate Social Responsibility is an ongoing commitment requiring continuous improvement. We look forward to reporting on more initiatives, and creating even greater economic, social, and environmental impact next year.

Biographical Details of Directors and Senior Management

Directors

Dr. LO Ka Shui

Chairman and Managing Director

Dr. Lo Ka Shui, aged 64, has been a member of the Board since 1980 and is the Chairman and Managing Director of the Company and the Non-executive Director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Board Member of the Hong Kong Airport Authority and the Chairman of The Chamber of Hong Kong Listed Companies. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie and a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Mr. LO Kai Shui

Executive Director and Deputy Managing Director

Mr. Lo Kai Shui, aged 51, 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 28 years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors. Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a son of Madam Lo To Lee Kwan and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Madam LO TO Lee Kwan

Non-executive Director

Madam Lo To Lee Kwan, aged 91, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Mr. CHENG Hoi Chuen, Vincent

Independent Non-executive Director

Mr. Cheng Hoi Chuen, Vincent, aged 62, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994. He is an Executive Director of HSBC Holdings plc, Chairman of HSBC Bank (China) Company Limited and Chairman of HSBC Taiwan. He was the Chairman of The Hongkong and Shanghai Banking Corporation Limited from 25 May 2005 until 31 January 2010. Mr. Cheng is an Executive Committee Chairman of Community Chest of Hong Kong, a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He is also an Independent Non-executive Director of MTR Corporation Limited and a Non-executive Director of Swire Properties Limited. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

Professor WONG Yue Chim, Richard

Independent Non-executive Director

Professor Wong Yue Chim, Richard, aged 58, is an Independent Non-executive Director of the Company. He has been a Director since 1995. He is 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 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

Independent Non-executive Director

Mrs. Lee Pui Ling, Angelina, aged 62, was appointed as an Independent Non-executive Director of the Company in 2002. She is a practising solicitor in Hong Kong and a partner of the firm of solicitors, Woo, Kwan, Lee & Lo. She is also a Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited. She is active in public service and is a Non-executive Director of the Securities and Futures Commission, a Member of the Takeover and Mergers Panel and Takeovers Appeal Committee, and a Non-executive Director of the Mandatory Provident Fund Management Board. She has a Bachelor of Laws degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr. ZHU Qi

Independent Non-executive Director

Mr. Zhu Qi, aged 50, was appointed as an Independent Non-executive Director of the Company in August 2009. Mr. Zhu is an Executive Director and Chief Executive of Wing Lung Bank Limited. He has over 23 years of banking experience. From 2000 to July 2008, he had been the Managing Director and Chief Executive Officer of Industrial and Commercial Bank of China (Asia) Limited, the Chairman of Chinese Mercantile Bank and a Director of ICBC (Asia) Bullion Company Limited, ICBC (Asia) Nominee Limited and ICBC (Asia) Asset Management Company Limited. Mr. Zhu also had been a Director of China Ping An Insurance (Hong Kong) Company Limited, the Deputy Chairman of ICEA Finance Holdings Limited, the Chairman of Industrial and Commercial International Capital Limited and a Director of The Tai Ping Insurance Company, Limited. He graduated with a Bachelor's Degree from Dongbei University of Finance and Economics and a Master's Degree in Economics from the Zhongnan University of Finance and Economics in 1986.

Mr. LO Hong Sui, Antony

Executive Director

Mr. Lo Hong Sui, Antony, aged 69, 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 42 years. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie and a younger brother of Madam Law Wai Duen.

Madam LAW Wai Duen

Executive Director

Madam Law Wai Duen, aged 74, 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 46 years. She is a daughter of Madam Lo To Lee Kwan and an elder sister of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie.

Mr. LO Hong Sui, Vincent

Non-executive Director

Mr. Lo Hong Sui, Vincent, aged 63, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is a diversified group engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of Shui On Construction And Materials Limited and Shui On Land Limited – Shui On's flagship property company in the Chinese Mainland established in 2004. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and Dr. Lo Ying Sui, Archie and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

Dr. LO Ying Sui, Archie

Non-executive Director

Dr. Lo Ying Sui, Archie, aged 58, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent.

Mr. KAN Tak Kwong

Executive Director and General Manager

Mr. Kan Tak Kwong, aged 59, 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 35 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

Senior Management

Mr. TONG Chun Wan

Mr. Tong Chun Wan, aged 63, Assistant Director, he is also the Managing Director of The Great Eagle Development and Project Management Limited, joined the Group in 1983. He graduated from the University of Hong Kong with a Bachelor's Degree in Architectural Studies and a Bachelor's Degree in Architecture. He is a registered architect with the Architect's Registration Board, Hong Kong, and has obtained PRC Class 1 Registered Architect Qualification. Mr. Tong is also a member of the Royal Institute of British Architects. Mr. Tong has over 32 years' experience in property development and project management in Hong Kong, Mainland China and overseas.

Mr. MOK Siu Bun, Terry

Mr. Mok Siu Bun, Terry, aged 57, Financial Controller, joined the Group in 1981. He has a Master's Degree in Business Administration and has over 29 years' experience in accounting and finance in the real estate industry.

Mr. LEUNG Tat Kai, Henry

Mr. Leung Tat Kai, Henry, aged 57, 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. Brett BUTCHER

Mr. Brett Butcher, aged 51, is the Chief Executive Officer of the Group's Hotel Division. Mr. Butcher joined the Group in 2002 and has held previous positions of Senior Vice President-Sales, Marketing and Brands for Langham Hotels International Limited and Senior Vice President-Operations for Langham Place Hotels. 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 31 years and has covered assignments in Asia, the Pacific and North America.

Mr. HO Hon Ching, Barry

Mr. Ho Hon Ching, Barry, aged 48, Group Chief Internal Auditor, joined the Group in 2004. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor and a Certified Fraud Examiner in USA. He has extensive experience in accounting, statutory auditing and internal auditing.

Mr. WONG Chi Wai, Chris

Mr. Wong Chi Wai, Chris, aged 42, Head of Legal, joined the Group in March 2006. He has a Bachelor's Degree in Laws from the University of Hong Kong and a Bachelor's Degree in PRC Laws from the Peking University. Before joining the Group, he had over 12 years' experience in corporate finance and general corporate work gained in different international law firms.

Mr. CHU Shik Pui

Mr. Chu Shik Pui, aged 49, Head of Tax and Investment primarily responsible for the Group's taxation, finance 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 has 26 years' experience in taxation, finance and accounting.

Mr. LU Ning, Michael

Mr. Lu Ning, Michael, aged 38, Managing Director of the Group's trading division, joined the Group in May 2008. He holds dual Master's Degrees in Business Administration and Management Information Systems from Boston University, and a Bachelor's Degree from Tsinghua University in Beijing, China. Before joining the Group, Mr. Lu worked at premier global business consulting firms with extensive experience in North America, Europe and Asia, and emerging markets such as China and India.

Ms. WONG Mei Ling, Marina

Ms. Wong Mei Ling, Marina, aged 44, was appointed the Company Secretary of the Company in July 2008 and is the Head of Company Secretarial and Administration 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 20 years 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.

Mr. LAM Kin Kwok, Sherman

Mr. Lam Kin Kwok, Sherman, aged 51, Chief Financial Officer of Langham Hotels International Limited, joined the Group in September 2010. Mr. Lam brings to the role almost 30 years of corporate finance, strategic planning and management experience, holding senior roles in both privately held and publicly listed organisations. Prior to Langham Hotels International, he served as Strategic Planning and Development Director with the Fok Ying Tung Group and General Manager – Corporate Development of HKR International, a Hong Kong stock exchange listed conglomerate where he masterminded the strategic plan to enhance its asset portfolio. Mr. Lam has also worked with global petro-chemical giant, Shell in China and Hong Kong, and held various key roles with the HK-listed power company, CLP Group where his roles included Group Planning Director of CLP Holdings and CFO of CLP Telecom.

Mr. AU Ngai Ho

Mr. Au Ngai Ho, aged 53, is the General Manager of Great Eagle (China) Investment Limited. He is responsible for the Group's real estate investment in the PRC. Mr. Au joined the Group in 1977 and has over 30 years' experience in property development and marketing in Hong Kong and Mainland China. Mr. Au holds a Higher Diploma in Valuation and Property Management.

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. The Board of Directors of the Company continues to monitor and review the Company's corporate governance practices to ensure compliance.

Corporate Governance Practices

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

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

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

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

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

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

Under the existing Bye-laws of the Company, the Executive Chairman and Managing Director of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, Directors who hold the offices of either the Executive Chairman or the Managing Director of the Company are by statute not required to retire by rotation. After due consideration, in particular to the legal costs and procedures involved, the Board considers that it is not desirable to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 for the sole purpose of subjecting the Executive Chairman and Managing Director of the Company to retirement by rotation. Dr. Lo Ka Shui is a substantial shareholder of the Company whose interests in shares and underlying shares of the Company and associate company are set out in the Report of the Directors contained herein. There is no service contract between the Company and Dr. Lo Ka Shui, and he is not appointed for any specified length or proposed length of services with the Company. The biography of Dr. Lo and details of his emoluments are provided on page 34 of this Annual Report and in note 13 to the consolidated financial statements respectively.

Board of Directors

Board Responsibilities

The Board of Directors assumes responsibility for leadership and control of the Company and its subsidiaries ("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.

Board Composition

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

Executive Directors

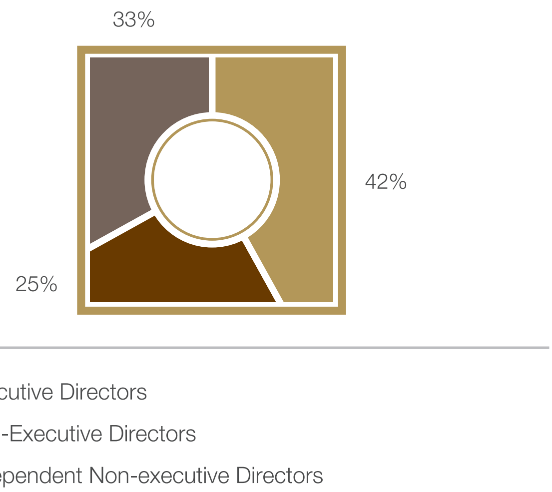
Dr. LO Ka Shui *(Chairman and Managing Director)*
Mr. LO Kai Shui *(Deputy Managing Director)*
Mr. LO Hong Sui, Antony
Madam LAW Wai Duen
Mr. KAN Tak Kwong *(General Manager)*

Non-executive Directors

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

Independent Non-executive Directors

Mr. CHENG Hoi Chuen, Vincent
Professor WONG Yue Chim, Richard
Mrs. LEE Pui Ling, Angelina
Mr. ZHU Qi



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.

Members of the Board of Directors

- The Board currently has twelve members, five Executive Directors and seven Non-executive Directors, four of whom are Independent Non-executive Directors.
- The Board comprises a relatively balanced number of Executive Directors and Non-executive Directors (including Independent Non-executive Directors representing one-third of the Board) 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 and have appropriate professional qualifications or accounting or related financial management expertise.

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 re-election of each retiring Director is voted by poll on an individual basis.

A Guide on Directors' Duties issued by the Companies Registry in 2009 has been provided to each Director of the Company. Newly appointed Directors receive a comprehensive induction package designed to provide a general understanding of the Group, its business, the operations of the Board and the main issues it faces, as well as an overview of the additional responsibilities of Non-executive Directors.

In all corporate communications, the Company has disclosed the composition of the Board according to the categories and responsibilities of the Directors. Biographical details of the Directors and the Senior Management are set out on pages 34 to 37 of this Annual Report and published in the Company's website at www.GreatEagle.com.hk.

Supply and Access to Information

Management and financial updates are provided to all Board members on a quarterly basis to ensure each member is aware of the financial performance and position of the Company. The Directors are also kept updated of any material developments from time to time through notifications and circulars. Discussion sessions with key members of management will also be held regularly twice a year. Directors also have access to Senior Management of the Company.

The Board Members may obtain independent professional advice for the purposes of discharging their duties and responsibilities. Such advice may be obtained at the Company's expense upon reasonable request. The Company Secretary is responsible to make all necessary arrangement.

The Directors also have access to the advice and services of the Company Secretary, who is responsible to ensure Board procedures and all applicable rules and regulations are followed. The Company Secretary of the Company fulfills the requirement under Rule 8.17 of the Listing Rules. She supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters and facilitates induction and Directors' professional development. She has attained not less than 15 hours of relevant professional training each year since 2005.

Independence of Independent Non-executive Directors

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

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

Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals, to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. In accordance with the Bye-laws of the Company, a resolution in writing signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held.

Proceedings of the Board

- At least 14 days' formal notice of a regular Board meeting will be given to all Directors and all Directors are given the opportunity to include any matters for discussion in the agenda for each regular Board Meeting. For special Board meeting, reasonable notice will be given.
- An agenda and accompanying Board papers will be sent to all Directors at least three days in advance of every regular Board meeting or Committee meeting.
- The Company secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations regarding the meetings are followed.
- If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of resolution in writing or by a Committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a full Board meeting will be held.
- Detailed minutes of each meeting are available to all Directors for inspection.
- Draft minutes is circulated to all Directors for their comment and confirmation within a reasonable time after each Board and Board Committee meeting and all Board and Board Committee minutes or resolutions are available for Directors' inspection.

Six full physical Board meetings were held during the financial year ended 31 December 2010. The attendance of individual Directors at the Board meetings held in 2010 is set out below:

Directors	Board Meetings Attended/ Board Meetings Held
Executive Directors	
LO Ka Shui *(Chairman and Managing Director)*	6/6
LO Kai Shui *(Deputy Managing Director)*	4/6
LO Hong Sui, Antony	6/6
Madam LAW Wai Duen	6/6
KAN Tak Kwong *(General Manager)*	6/6
Non-executive Directors	
LO TO Lee Kwan	-/6
LO Hong Sui, Vincent	5/6
LO Ying Sui, Archie	5/6
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	4/6
WONG Yue Chim, Richard	4/6
LEE Pui Ling, Angelina	6/6
ZHU Qi	5/6
Average Attendance Rate	79.17%

Directors' and Officers' Insurance

During the year ended 31 December 2010, the Company has arranged appropriate Directors' and Officers' liabilities insurance coverage in respect of legal action against its Directors and officers.

Directors' Securities Transactions

The Company has adopted its own Code of Conduct regarding Securities Transactions by Directors and Relevant Employees of the Company ("Code of Conduct for Securities Transactions") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules and the same is updated from time to time in accordance with the Listing Rules requirements. The Directors' interests in the securities of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance) as at 31 December 2010, are set out on pages 53 to 55 of this Annual Report.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the year ended 31 December 2010.

Delegation by the Board

The Board of Directors may establish Board Committees with clear terms of reference to review specific issues or items. The four standing Board Committees established by the Company are the Audit Committee, Remuneration Committee, Nomination Committee and Finance Committee. These Board Committees also adopted the principles, procedures and arrangements set out in CG Code Provisions A.1.1 to A.1.8 of Appendix 14 to the Listing Rules.

Directors' Remuneration

A Director is entitled to receive a Director's fee of HK$120,000 for the year ended 31 December 2010. The Director's fee was proposed by the Board on the recommendation of the Remuneration Committee based on the general duties and responsibilities as a Director of the Company and approved by shareholders at the 2010 Annual General Meeting, and payable to each Director as ordinary remuneration.

The annual remunerations received by the chairman and the members of the respective Board Committees are set out below. These remunerations were determined by the Board with reference to the time and effort involved in his/her specific duties and services and the prevailing market conditions. Details of Directors' emoluments are provided in note 13 to the consolidated financial statements.

	2010 HK$	2009 HK$
Audit Committee		
• Chairman	**200,000**	200,000
• Committee Member	**150,000**	150,000
Remuneration Committee		
• Chairman	**50,000**	50,000
• Committee Member	**40,000**	40,000
Nomination Committee		
• Chairman	**30,000**	30,000
• Committee Member	**20,000**	20,000
Finance Committee	**Nil**	Nil

Connected Transactions and/or Continuing Connected Transactions

During the year ended 31 December 2010, the Group entered into certain connected transactions and/or continuing connected transactions. Disclosure requirements in accordance with the Listing Rules were fully complied with. In May 2010, a special general meeting ("SGM") of the Company was held for obtaining shareholders' approval in respect of a discloseable and connected transaction in relation to the acquisition of one-third interests in a hotel in Luwan District, Shanghai, PRC. Sufficient notice period of the SGM was given to shareholders. The notice of SGM was issued and despatched to shareholders together with a circular, which contained all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the SGM. Connected persons and their respective associates abstained from voting at the SGM. Poll results of the SGM were released on the websites of the Stock Exchange and the Company soon after the SGM on the same day. Annual review requirement for certain continuing connected transactions has been carried out in accordance with the Listing Rules.

Details of the connected transactions and/or continuing connected transactions entered during the year and the annual review are set out on pages 56 to 59 in the Report of the Directors contained in the 2010 Annual Report.

Related Party Transactions

During the year ended 31 December 2010, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of the transactions are disclosed in note 39 to the consolidated financial statements.

Audit Committee

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

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

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

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

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

The terms of reference of the Audit Committee of the Company are updated from time to time in accordance with CG Code requirements. The written terms of reference of the Audit Committee are available upon request and a summary of the principal duties is posted on the Company's website.

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

Two Audit Committee meetings were held in 2010. The attendance of individual members at the Audit Committee meetings held in 2010 is set out below:

Members of Audit Committee	Audit Committee Meetings Attended/ Audit Committee Meetings Held
Independent Non-executive Directors	
CHENG Hoi Chuen, Vincent	1/2
WONG Yue Chim, Richard	2/2
LEE Pui Ling, Angelina	2/2
ZHU Qi	2/2
Average Attendance Rate	87.50%

Audit Committee Meetings held in 2010

During the financial year ended 31 December 2010, two meetings of the Audit Committee were held. The following is a summary of the major work done of the Audit Committee at these meetings:

- reviewed various internal audit activities and approved the annual audit plan;
- reviewed the effectiveness of the internal control system;
- reviewed the significant findings and recommendations from the internal auditor and external auditor, and monitored subsequent implementations;
- reviewed the Group's accounting, finance and reporting functions, and governance and compliance issues;
- reviewed the audited financial statements for the year ended 31 December 2009 and the unaudited financial statements for the six months ended 30 June 2010;
- reviewed and approved the draft 2009 Annual Report and final results announcement of the Company;
- reviewed and approved the draft 2010 Interim Report and interim results announcement of the Company; and
- reviewed and considered the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external auditor and approved their remuneration.

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 Provision B.1.3 as set out in the CG Code, with additional functions and duties covering the Company's employees and share option scheme. The additional functions are as follows:

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

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

The written terms of reference of the Remuneration Committee are available upon request and a summary of the principal duties is posted on the Company's website.

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

Remuneration Committee Meeting held in 2010

During the financial year ended 31 December 2010, a meeting of the Remuneration Committee of the Company was held. All members of the Remuneration Committee were present at the meeting. At this meeting, the Committee considered and approved, among others, the following:

- the proposal on 2010 general salary revision of and discretionary bonus distribution to the employees of the Group;
- the revisions of salary, discretionary bonus distribution and other remuneration packages of Executive Directors and Senior Management of the Group; and
- the annual grant of share options of the Group.

The review by the Remuneration Committee of the emoluments of Directors and Senior Management during the year was based on the skill, knowledge and involvement in the Group's affairs and were determined by reference to the Company's performance and profitability as well as remuneration benchmark in the industry and the prevailing market conditions. Individual Director and Senior Management would not be involved in deciding their own remuneration.

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 Recommended Best Practice A.4.5 as set out in the CG Code. The written terms of reference of the Remuneration Committee are available upon request and a summary of the principal duties is posted on the Company's website.

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

The Nomination Committee currently comprises three Independent Non-executive Directors, namely, Professor Wong Yue Chim, Richard (who is the chairman of the Nomination Committee), Mr. Cheng Hoi Chuen, Vincent and Mrs. Lee Pui Ling, Angelina. One set of Resolutions in Writing of the Committee Members of the Nomination Committee of the Company was passed in the year for approving the re-appointment of Directors at 2010 Annual General Meeting.

Finance Committee

The Company established a Finance Committee on 11 March 2003 which comprises three Executive Directors, namely Dr. Lo Ka Shui, Mr. Lo Kai Shui and Mr. Kan Tak Kwong. Matters considered by the Finance Committee and the decisions reached were reported to the Board at regular Board meetings. Apart from the day-to-day interactions, the duties of the Finance Committee also include:

(a) meeting on an as needed basis to review the financial position of the Company; and

(b) reviewing and considering the present or future borrowings and/or other obligations and/or liabilities, actual, contingent of the Group.

Auditor's Remuneration

During the year ended 31 December 2010, the total fees in respect of audit and non-audit services provided to the Company and its subsidiaries by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, are set out as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000
Services rendered		
Audit services	**6,336**	6,433
Non-audit services		
Taxation services	**572**	742
Other services	**584**	540
	7,492	7,715

Note: The total amount of Auditor's Remuneration as disclosed in note 12 to the consolidated financial statements excludes taxation services of HK$572,000, other non-audit services of HK$44,000, and interim review fee of Messrs. Deloitte Touche Tohmatsu of HK$540,000 which has been shown as other services above and includes audit services provided by other auditors of HK$1,826,000.

Internal Controls

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

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

(b) Reliable management reporting system;

(c) Clear and written company policies and procedures; and

(d) Risk Management Self-Assessment and Internal Control Self-Assessment conducted by major business entities of the Group.

Through the Audit Committee and the Group's Internal Audit Department, the Board has conducted an annual review on the effectiveness of the internal control systems for the year ended 31 December 2010.

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 2010, 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 2010.

Directors' Responsibilities For The Financial Statements

The Board, supported by the Accounts and Finance Department, is responsible for the preparation of the accounts of the Company and its subsidiaries for the year ended 31 December 2010.

The statement by the Auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report on page 65 of this Annual Report.

Communication with Shareholders

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. The Company maintains an on-going dialogue with the Company's shareholders. One of the principal channels of communication with the shareholders of the Company is the annual general meeting. The Chairman of the Board and the respective Board Committees or their duly appointed delegates and other Board members will attend the annual general meeting to answer questions from shareholders. The Company ensues the shareholders' views are communicated to the Board. Proceedings of General Meetings are reviewed from time to time to ensure that the Company follows the best appropriate corporate governance practices.

Proceedings of General Meetings

- At each general meeting, each substantially separate issue will be considered by a separate resolution.
- Copies of the corporate communications including circulars, explanatory statements and related documents will be despatched to shareholders over 20 clear business days prior to the meeting. Detailed information on each resolution to be proposed will also be provided.
- The external auditor will attend annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence and any other related questions as may be raised by the shareholders.
- All votes of shareholders at general meeting will be taken by poll. The procedures for conducting a poll will be explained at the meeting.
- Independent scrutineer will be engaged to ensure all votes at general meeting are properly counted.
- Poll vote results will be posted on the websites of the Company and the Stock Exchange on the same day after the meeting.

Under the Bye-laws of the Company, shareholders holding not less than 5% of the paid up capital of the Company may convene an extraordinary general meeting by requisition stating the objects of the meeting, and deposit the signed requisition at the Company's registered office.

Maintaining timely and effective communications with shareholders and the investment community about corporate strategy, business development and prospects is an important priority for the Group. All corporate communications of the Company, including but not limited to annual reports, interim reports, notices of meetings, announcements, circulars and other relevant Company's information are available on the website of the Company at www.GreatEagle.com.hk.

To ensure mutual and efficient communications, the Company meets institutional investors, financial analysts and media regularly. Analyst briefings and investor meetings were held during the year. Investors and shareholders may visit the Company's website for details of the Company's recent press release and results announcement presentation and may also send enquiries to the Company's website. A financial calendar setting out the important dates is contained in this Annual Report.

Matters resolved at the 2010 Annual General Meeting

- received the audited accounts for the year ended 31 December 2009 together with the Reports of the Directors and the Auditor;
- payment of the final dividend of HK35 cents per share for the year ended 31 December 2009;
- election of Mr. Lo Kai Shui, Madam Law Wai Duen, Mr. Lo Hong Sui, Antony, Mrs. Lee Pui Ling, Angelina and Mr. Zhu Qi as Directors;
- approval to fix the maximum number of Directors at 15;
- approval of the ordinary remuneration of HK$120,000 per annum payable to each Director for the year ending 31 December 2010;
- re-appointment of Messrs. Deloitte Touche Tohmatsu as the Auditor of the Company and authorisation to the Board of Directors to fix their remuneration;
- approval to grant a general mandate to the Directors to repurchase shares not exceeding 10% of the issued share capital;
- approval to grant a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital; and
- approval to extend the general mandate granted to the Directors to allot, issue and deal with shares by the number of shares repurchased.

Employees

During the year, the number of employees of the Group increased approximately 5% to 4,679. The increase was attributable to the business rebounded and recovered in our hotel operations during the year. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In order to enhance employee relations and communications, regular meetings of general staff with senior management have been arranged for the year, with particular emphasis on performance management. To further support the engagement of employees, our Hotel Division has also adopted the Total Quality Management (TQM) technology to drive development of people and continuous improvement of management systems.

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

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 2010.

Principal Activities

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development and 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 2010 are set out in the consolidated income statement.

The Directors have recommended the payment of a final dividend of HK38 cents per share to the shareholders whose names appear on the Registers of Members of the Company on Thursday, 12 May 2011. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend will be payable on 17 June 2011 in cash with a scrip dividend alternative. Taken together with the interim dividend of HK19 cents per share paid in October 2010, this will make a total dividend of HK57 cents per share for the year ended 31 December 2010.

Proposed Amendments to the Bye-laws

The Directors proposed certain amendments to the Bye-laws of the Company in order to bring the Bye-laws up to date and in line with the requirements under the Listing Rules and current practice in Hong Kong. The proposed amendments to the Bye-laws are subject to the approval of shareholders by way of special resolution at the forthcoming Annual General Meeting. Details of proposed amendments to the Bye-laws and the notice of the forthcoming Annual General Meeting are contained in the accompanying circular to shareholders dated 31 March 2011.

Movements in Reserves

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

Five Years' Financial Summary

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

Fixed Assets

Movements in the fixed assets of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements.

Details of the major properties of the Group as at 31 December 2010 are set out in Appendix I to this Annual Report.

Share Capital

As at 31 December 2010, the authorised capital of the Company was HK$400,000,000.00 divided into 800,000,000 shares of HK$0.50 each, 622,809,374 shares of which were issued and credited as fully paid. During the year, 112,859 shares were issued by the Company pursuant to the Scrip Dividend Arrangement in respect of the 2009 Final Dividend and 870,000 shares were issued pursuant to the 1999 Share Option Scheme. Details regarding the movements of the Share Options granted to Employees (including Directors) are disclosed under section headed "Share Option Schemes" on pages 59 to 62 of this Annual Report.

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 Company's Securities

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's 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
Mr. ZHU Qi

In accordance with Bye-law 109(A) of the Company's Bye-laws, Mr. Cheng Hoi Chuen, Vincent, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui, Archie and Mr. Kan Tak Kwong shall retire by rotation and, being eligible, have offered themselves for re-election at the 2011 Annual General Meeting of the Company.

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

Directors' and Senior Management's Biographies

The biographical details of the Directors and the Senior Management of the Company are set out on pages 34 to 37 of this Annual Report.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2011 Annual General Meeting 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).

Directors' Emoluments

Details of Directors' emoluments are set out in note 13 to the consolidated financial statements.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2010, the interests and short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), to be notified to the Company and the Stock Exchange, are as follows:

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

Name of Director	Number of Ordinary Shares / Underlying Shares Personal interests	Family interests	Corporate interests	Other interests	Number of outstanding share options	Total	Percentage of issued share capital[8]
Lo Ka Shui	35,198,219[1]	–	3,907,200[2]	279,372,494[3]	1,829,000	320,306,913	51.42
Lo Kai Shui	200,000	–	629,785[4]	205,831,599[5]	425,000	207,086,384	33.25
Lo To Lee Kwan	984,693	–	4,525,393[6]	205,831,599[5]	–	211,341,685	33.93
Cheng Hoi Chuen, Vincent	–	10,000	–	–	–	10,000	0.00
Lo Hong Sui, Antony	53,914	–	–	205,831,599[5]	475,000	206,360,513	33.13
Law Wai Duen	1,047,475	–	–	205,831,599[5]	312,000	207,191,074	33.26
Lo Hong Sui, Vincent	293	–	–	205,831,599[5]	–	205,831,892	33.04
Lo Ying Sui, Archie	3,855,046	3,764	33,269,396[7]	205,831,599[5]	–	242,959,805	39.01
Kan Tak Kwong	1,003,830	–	–	–	750,000	1,753,830	0.28

Notes:

(1) Among these 35,198,219 shares, 4,610,912 shares of which are derivative interest held by Dr. Lo Ka Shui.

(2) Among these 3,907,200 shares, 3,529,600 shares of which are derivate interest. These interest are held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.

(3) These 279,372,494 shares comprise:

(i) 205,831,599 shares owned by a discretionary trust of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie are the beneficiaries; and

(ii) 73,540,895 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the Founder.

(4) These 629,785 shares comprise 527,066 shares held by certain companies wholly-owned by Mr. Lo Kai Shui and 102,719 shares held by a company controlled by him. Mr. Lo Kai Shui is also a director of these companies.

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

(6) These 4,525,393 shares are held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of these companies.

(7) 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.

(8) This percentage has been compiled based on the total number of shares of the Company in issue as at 31 December 2010 of 622,809,374 shares and rounded down to 2 decimal places.

2. Long positions in shares of associated corporations of the Company

(a) Recruit Holdings Limited ("Recruit Holdings") is an associated company of the Company. The Company was interested in 21,638,000 shares in Recruit Holdings representing 6.96% of the issued share capital of Recruit Holdings as at 31 December 2010. Dr. Lo Ka Shui beneficially owned 150,000 shares in Recruit Holdings, representing 0.048% of its issued share capital.

(b) Magic Garden Investments Limited ("Magic Garden") is an associated company of the Company. The Company was interested in 1 share in Magic Garden representing 33.3% of the issued share capital of Magic Garden as at 31 December 2010. Mr. Lo Hong Sui, Vincent was interested in the remaining 66.7% interests in Magic Garden through a company privately and beneficially owned by him.

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executives of the Company were taken to be interested or deemed to have any other interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interest in Competing Businesses

The interests of Directors in a business apart from the Group's business, which competes or is likely to compete either directly or indirectly, with the Group's business as informed by the relevant Directors pursuant to Rule 8.10(2) of the Listing Rules are as follows:

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

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

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

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

As the Board of Directors of the Company is independent of the Board of Directors of Shui On Land Limited, Shui On Construction And Materials Limited and Sun Fook Kong Group Limited, the Group has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

In addition, Dr. Lo Ka Shui is the Chairman and Non-executive Director and Mr. Lo Kai Shui is a Non-executive Director of Eagle Asset Management (CP) Limited, Manager of Champion Real Estate Investment Trust ("Champion REIT"). Champion REIT is a trust formed to own and invest in income-producing office and retail properties.

Disclosure of Directors' Information Pursuant to Rule 13.51B(1)

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

Dr. Lo Ka Shui, the Chairman and Managing Director of the Company, resigned as an Independent Non-executive Director of Melco International Development Limited on 22 June 2010.

Mr. Lo Hong Sui, Vincent, a Non-executive Director of the Company, resigned as an Independent Non-executive Director of China Telecom Corporation Limited on 9 September 2008.

Mr. Cheng Hoi Chuen, Vincent, an Independent Non-executive Director of the Company, was appointed as Chairman of both HSBC Bank (Taiwan) Limited and HSBC Bank (China) Company Limited on 21 January 2010 and as an Independent Non-executive Director of MTR Corporation Limited on 10 July 2009. He resigned as Chairman of The Hongkong and Shanghai Banking Corporation Limited and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority, both with effect from 1 February 2010.

Connected Transactions and/or Continuing Connected Transactions

During the year ended 31 December 2010, the Group entered into the following connected transactions and/or continuing connected transactions:

(a) Master Tenancy Agreement in relation to the tenancy of certain premises at Great Eagle Centre

On 30 March 2010, Moon Yik Company, Limited, an indirect wholly-owned subsidiary of the Company, and Sun Fook Kong Construction Management Limited ("SFK Management") entered into the Master Tenancy Agreement in relation to (1) the renewal of tenancy and (2) the entering into tenancy of certain premises at Great Eagle Centre for a term of three years commencing from 1 April 2010 and expiring on 31 March 2013. Details of the Master Tenancy Agreement were set out in an announcement dated 30 March 2010 (the "Announcement").

Mr. Lo Kai Shui, Deputy Managing Director of the Company, through his controlled companies, holds more than 30% issued share capital in Sun Fook Kong Group Limited which in turn indirectly holds the entire issued share capital in SFK Management. Accordingly, SFK Management constituted a connected person of the Company and the transactions contemplated under the Master Tenancy Agreement constitute continuing connected transactions ("Continuing Connected Transactions") of the Company under the Listing Rules.

As one of the applicable percentage ratios of the Annual Cap (as defined in the Announcement) is more than 0.1% but less than 2.5%, the transactions contemplated under the Master Tenancy Agreement are subject to reporting, announcement and annual review requirements under the Listing Rules.

In accordance with Rule 14A.37 of the Listing Rules, the Directors (including the Independent Non-executive Directors) of the Company have reviewed the Continuing Connection Transactions for the year ended 31 December 2010 and confirmed they have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

(b) On 1 April 2010, the following agreements in relation to the acquisition of one-third interests in a hotel erected on Lot 108 in the Luwan District, Shanghai ("Hotel 108") were entered into:

(i) Sale and Purchase Agreement (the "Acquisition")

Under the Sale and Purchase Agreement, (a) G.E. Hotel (Xintiandi) Limited, a wholly-owned subsidiary of the Group (the "Purchaser") at the consideration of approximately US$24,118,000 (equivalent to approximately HK$188,120,000), acquired from Shui On Investment Company Limited (the "Seller") 1 share (the "Sale Share") of US$1.00 each in Magic Garden Investments Limited ("MGIL") representing one-third of the entire issued share capital of MGIL and the benefit of the unsecured interest free loan (the "Shareholder's Loan") in the principal amount of approximately US$24,118,000 representing one-third of the entire Shareholders' Loan extended by the Seller to the MGIL Group on a dollar for dollar basis; (b) the Purchaser paid to Dr. Lo Ka Shui a sum equivalent to the interest on approximately US$24,118,000 (equivalent to approximately HK$188,120,000) calculated at an interest rate of 1.5% per annum from and including 21 December 2009 up to completion of the sale and purchase of the Sale Share and Shareholder's Loan (the "Payment"); and (c) the Group provided a corporate guarantee (the "Corporate Guarantee") and a charge over the Sale Share (the "Share Mortgage") to secure the Purchaser's proportional share of the US$117 million (equivalent to approximately HK$912.6 million) existing banking facilities made available to Shanghai Li Xing Hotel Co., Ltd. (the "Project Company"), i.e., US$19.5 million (equivalent to approximately HK$152.1 million). Prior to the completion of the Acquisition, these banking facilities were secured by, among other things, a share mortgage over the Seller's entire interest in the share capital of MGIL and a corporate guarantee from Shui On Company Limited, the indirect holding company of the Seller, in favour of the relevant lending banks. The Project Company is the owner of, among other things, the Hotel 108;

(ii) Hotel Management Agreement

Under the Hotel Management Agreement, Langham Hotels Shanghai Company Limited ("LHS"), an indirect wholly-owned subsidiary of the Group, was given the exclusive right to manage and operate Hotel 108 for a term of 20 years from the opening of the hotel renewable by LHS for multiple 10-year periods subject to the terms therein. LHS also executed an indemnity (the "Indemnity") in favour of the Project Company against possible claims from the ex-operator of Hotel 108;

(iii) Licence Agreement

Under the Licence Agreement, Langham Hotels International Limited ("LHL"), an indirect wholly-owned subsidiary of the Group, granted to the Project Company a non-exclusive and non-transferable licence to use the "Langham" and other trademarks for the operation of Hotel 108 during the term of the Hotel Management Agreement; and

(iv) Technical Assistance Services Agreement

Under the Technical Assistance Services Agreement, the Project Company appointed LHS exclusively to provide design and technical advice on the layout decoration and fitting out of Hotel 108 for a term until the opening of Hotel 108 or such other date as LHS and the Project Company may agree (but in any event no later than the day before the third anniversary of the date of the Technical Assistance Services Agreement).

The Hotel Management Agreement, Licence Agreement and Technical Assistance Services Agreement are collectively named "Hotel Agreements". The transactions contemplated under the Sale and Purchase Agreement and Hotel Agreements are collectively named "Transactions". Details of the Transactions were disclosed in an announcement dated 1 April 2010 and a circular to shareholders dated 20 April 2010.

On 25 March 2010, Champion Global Services Limited, an indirect wholly-owned subsidiary of the Group, also entered into a separate agreement (the "Supply Procurement and Consultancy Services Agreement") with the Project Company for the provision of procurement and consultancy services.

Mr. Lo Hong Sui, Vincent is a Non-executive Director of the Company and privately beneficially owns the Seller. Accordingly, the Seller is a connected person of the Company. Dr. Lo Ka Shui is the Chairman and Managing Director of the Company. The Acquisition and the Sale and Purchase Agreement therefore constituted connected transactions for the Company under the Listing Rules. As Mr. Lo Hong Sui, Vincent remains to be indirectly beneficially interested in more than 30% interest in the registered capital of the Project Company following the Acquisition, the Project Company is an associate of Mr. Lo Hong Sui, Vincent and a connected person of the Company. Accordingly, the Corporate Guarantee, the Share Mortgage and the Indemnity constituted connected transactions for the Company and the transactions contemplated under each of the Hotel Agreements and the Supply Procurement and Consultancy Services Agreement also constituted continuing connected transactions for the Company under the Listing Rules.

One or more of the applicable percentage ratios as defined under the Listing Rules in relation to the Acquisition and the Indemnity was/were more than 5% but less than 25%. Accordingly, the Acquisition (including the related Sale and Purchase Agreement and the Payment thereunder, the shareholders' agreement subsequently entered into among the Seller, the Purchaser and MGIL pursuant to the Sale and Purchase Agreement, the Corporate Guarantee and the Share Mortgage) and the Indemnity when taken together constituted discloseable and connected transactions for the Company, and are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The Acquisition was approved by ordinary resolutions at the special general meeting of the Company held on 7 May 2010. The completion of the Acquisition took place on 19 August 2010. The Acquisition represented an attractive opportunity to the Group to own an interest in a luxurious hotel in Shanghai, a prime business and tourist city in the People's Republic of China.

The Hotel 108 has commenced operation in October 2010. The Directors believe that the applicable percentage ratios as defined under the Listing Rules in relation to the annual fees payable under the Hotel Management Agreement and the Licence Agreement in aggregate would be less than 2.5%. To comply with the requirements of the Listing Rules in setting a monetary cap and to give maximum room to the Group to maximize its earning potentials under the two agreements, the annual cap in relation to the annual fees payable under the Hotel Management Agreement and Licence Agreement for each of the financial years ending 31 December 2011, 2012 and 2013 was set at the maximum sum where the applicable percentage ratios as defined under the Listing Rules would remain below 2.5% i.e. HK$98,959,000. The Hotel Management Agreement and Licence Agreement are subject to announcement and reporting requirements but exempt from independent shareholders' approval requirements under the Listing Rules.

No fee will be charged under the Technical Assistance Services Agreement. None of the applicable percentage ratios as defined under the Listing Rules in respect of the transactions contemplated under the Supply Procurement and Consultancy Services Agreement exceeds 0.1%. Both the Technical Assistance Services Agreement and the Supply Procurement and Consultancy Services Agreement for the Company are exempt from announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

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.

Share Option Schemes

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

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

Further details of the 1999 Share Option Scheme and 2009 Share Option Scheme are set out in note 33 to the consolidated financial statements.

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

During the year ended 31 December 2010, the details of the movements in the share options granted to the Company's employees (including Directors) under the 1999 Share Option Scheme and 2009 Share Option Scheme are as follows:

	Number of Share Options						
Date of grant	Outstanding as at 1/1/2010	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2010	Exercise period	Exercise price per share (HK$)
17/03/2005[1]	898,000	–	(856,000)	(42,000)	–	18/03/2007-17/03/2010	18.21
04/01/2007[1]	2,794,000	–	(14,000)	(47,000)	2,733,000	05/01/2009-04/01/2012	22.35
08/01/2009[1]	2,900,000	–	–	(27,000)	2,873,000	09/01/2011-08/01/2014	9.34
04/03/2010[2]	–	2,742,000[3]	–	(39,000)	2,703,000	05/03/2012-04/03/2015	22.80
Total	**6,592,000**	**2,742,000**	**(870,000)**	**(155,000)**	**8,309,000**		

Notes:

(1) Share options were granted under the 1999 Share Option Scheme.

(2) Share options were granted under the 2009 Share Option Scheme.

(3) During the year ended 31 December 2010, 1,170,000 and 1,572,000 share options were granted to the Directors and other employees of the Company respectively.

(4) During the year ended 31 December 2010, no share options were cancelled.

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

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

2. Movements of the Share Options granted to Directors

During the year ended 31 December 2010, the details of the movements in the Share Options granted to Directors (some are also substantial shareholders) under the 1999 Share Option Scheme and 2009 Share Option Scheme as required to be disclosed according to Rule 17.07 of the Listing Rules are as follows:

		Number of Share Options						
	Date of grant	Outstanding as at 1/1/2010	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2010	Exercise price per share (HK$)	Weighted average closing price immediately before the date of exercise (HK$)
Directors								
Lo Ka Shui	17/03/2005[1]	300,000	–	(300,000)	–	–	18.21	22.59
	04/01/2007[1]	600,000	–	–	–	600,000	22.35	N/A
	08/01/2009[1]	609,000	–	–	–	609,000	9.34	N/A
	04/03/2010[2]	–	620,000	–	–	620,000	22.80	N/A
		1,509,000	620,000	(300,000)	–	1,829,000		
Lo Kai Shui	17/03/2005[1]	200,000	–	(200,000)	–	–	18.21	22.59
	04/01/2007[1]	200,000	–	–	–	200,000	22.35	N/A
	08/01/2009[1]	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010[2]	–	100,000	–	–	105,000	22.80	N/A
		525,000	100,000	(200,000)	–	425,000		
Lo Hong Sui, Antony	17/03/2005[1]	50,000	–	(50,000)	–	–	18.21	22.59
	04/01/2007[1]	200,000	–	–	–	200,000	22.35	N/A
	08/01/2009[1]	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010[2]	–	150,000	–	–	150,000	22.80	N/A
		375,000	150,000	(50,000)	–	475,000		
Law Wai Duen	04/01/2007[1]	100,000	–	–	–	100,000	22.35	N/A
	08/01/2009[1]	112,000	–	–	–	112,000	9.34	N/A
	04/03/2010[2]	–	100,000	–	–	100,000	22.80	N/A
		212,000	100,000	–	–	312,000		
Kan Tak Kwong	17/03/2005[1]	120,000	–	(120,000)	–	–	18.21	22.59
	04/01/2007[1]	300,000	–	–	–	300,000	22.35	N/A
	08/01/2009[1]	250,000	–	–	–	250,000	9.34	N/A
	04/03/2010[2]	–	200,000	–	–	200,000	22.80	N/A
		670,000	200,000	(120,000)	–	750,000		
Employees (other than Directors)	17/03/2005[1]	228,000	–	(186,000)	(42,000)	–	18.21	22.59
	04/01/2007[1]	1,394,000	–	(14,000)	(47,000)	1,333,000	22.35	22.61
	08/01/2009[1]	1,679,000	–	–	(27,000)	1,652,000	9.34	N/A
	04/03/2010[2]	–	1,572,000	–	(39,000)	1,533,000	22.80	N/A
		3,301,000	1,572,000	(200,000)	(155,000)	4,518,000		

Notes:

(1) Share options were granted under the 1999 Share Option Scheme.

Share options granted on 17/03/2005 are exercisable during the period from 18/03/2007 to 17/03/2010.

Share options granted on 04/01/2007 are exercisable during the period from 05/01/2009 to 04/01/2012.

Share options granted on 08/01/2009 are exercisable during the period from 09/01/2011 to 08/01/2014.

(2) Share options were granted under the 2009 Share Option Scheme.

Share options granted on 04/03/2010 are exercisable during the period from 05/03/2012 to 04/03/2015.

(3) During the year ended 31 December 2010, no share options were cancelled.

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

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

Substantial Shareholders' Interests in Shares

As at 31 December 2010, the interests and short positions of the following persons (other than a Director or the chief executive of the Company) in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

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

Notes:

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

(i) 205,831,599 shares representing 33.04% of the issued share capital of the Company were held in the name of HITL as a trustee a discretionary trust, of which Dr. Lo Ka Shui, Mr. Lo Kai Shui, Madam Lo To Lee Kwan, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, Archie, all being directors of the Company, are beneficiaries; and

(ii) 73,540,895 shares representing 11.80% of the issued share capital of the Company were held in the name of HITL as a trustee of another discretionary trust, of which Dr. Lo Ka Shui is the Founder.

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

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

(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 2010 of 622,809,374 shares and rounded down to 2 decimal places.

Save as disclosed above, as at 31 December 2010, no person (other than Directors of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 53 and 55 of this Annual Report) was interested (or deemed to be interested) or held any short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Arrangements to Acquire Shares or Debentures

Save and except the 1999 Share Option Scheme and 2009 Share Option Scheme established by the Company as disclosed under section headed "Share Option Schemes" on pages 59 to 62 of this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Pre-emptive Rights

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

Major Customers and Suppliers

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

Donations

During the year, donations made by the Group for charitable purposes amounted to HK$1,802,500.

Auditor

The consolidated financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu and a resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming Annual General Meeting to be held on 12 May 2011.

Sufficiency of Public Float

As at the date of this Annual Report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintains a sufficient public float with more than 25% of the issued shares of the Company being held by the public.

Corporate Governance

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the year under review, with the exception of a few deviations. Detailed information on the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 38 to 50 of this Annual Report.

Corporate Social Responsibility

Corporate Social Responsibility has been integral to the Group's business ever since the Group's founding in 1963. Our commitment to Corporate Social Responsibility stems from a core belief that our business will prosper as the community and environment around us flourish. A full report on Corporate Social Responsibility is set out on pages 31 to 33 of this Annual Report.

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

Hong Kong, 23 February 2011

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 67 to 152, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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 2010, 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 February 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	**4,694,155**	3,958,366
Cost of goods and services		**(2,888,798)**	(2,440,106)
Operating profit before depreciation and amortisation		**1,805,357**	1,518,260
Depreciation and amortisation		**(349,290)**	(359,788)
Operating profit		**1,456,067**	1,158,472
Fair value changes on investment properties	17	**571,775**	85,482
Fair value changes on derivative financial instruments		**458,437**	279,887
Fair value changes on financial assets carried at fair value through profit or loss		**16,039**	48,473
Income from discounted payoff of borrowings	30	**220,072**	–
Other income	9	**197,922**	288,045
Administrative expenses		**(226,149)**	(213,344)
Other expenses		**(6,187)**	(163)
Impairment loss recognised in respect of a hotel property	16	**–**	(490,908)
Finance costs	10	**(125,011)**	(131,639)
Share of results of associates		**1,858,883**	16,450
Share of results of a jointly controlled entity		**(7,167)**	–
Profit before tax		**4,414,681**	1,040,755
Income taxes	11	**(235,468)**	141,911
Profit for the year attributable to owners of the Company	12	**4,179,213**	1,182,666
Earnings per share:			
Basic	15	**HK$6.71**	HK$1.92
Diluted	15	**HK$6.69**	HK$1.92

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
Profit for the year attributable to owners of the Company	**4,179,213**	1,182,666
Other comprehensive income:		
Fair value gain on available-for-sale investments	**1,080,015**	2,908,233
Exchange differences arising on translation of foreign operations	**81,186**	409,874
Surplus on revaluation of an owner occupied property upon change of use to investment property	**23,109**	–
Share of other comprehensive income of associates	**66,344**	–
Share of other comprehensive income of a jointly controlled entity	**12,356**	–
	1,263,010	3,318,107
Total comprehensive income for the year attributable to owners of the Company	**5,442,223**	4,500,773

Consolidated Statement of Financial Position

At 31 December 2010

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	16	**10,409,396**	9,875,148	9,789,844
Investment properties	17	**4,192,297**	3,651,711	3,571,890
Interests in associates	18	**12,964,797**	59,466	47,080
Deposit for acquisition of leasehold land	19	**–**	591,000	–
Interest in a jointly controlled entity	19	**525,301**	–	–
Available-for-sale investments	20	**103,660**	8,083,050	4,502,622
Investment in convertible bonds	21	**3,309,997**	2,721,509	2,326,827
Notes receivable	22	**174,047**	223,413	77,500
Amounts due from associates	23	**12,077**	12,077	12,077
Restricted cash	24	**–**	61,521	33,887
Financial assets carried at fair value through profit or loss	27	**–**	77,551	–
		31,691,572	25,356,446	20,361,727
Current assets				
Inventories	25	**77,398**	65,774	111,120
Debtors, deposits and prepayments	26	**395,749**	339,765	471,226
Financial assets carried at fair value through profit or loss	27	**77,740**	340,634	99,825
Notes receivable	22	**55,819**	204,118	–
Bank balances and cash	24	**1,553,444**	1,859,563	3,359,122
		2,160,150	2,809,854	4,041,293
Current liabilities				
Creditors, deposits and accruals	28	**755,359**	635,920	1,055,987
Derivative financial instruments	29	**362**	591	7,814
Provision for taxation		**87,701**	66,145	106,609
Borrowings due within one year	30	**798,318**	467,040	1,928,963
Unsecured bank overdrafts	24	**–**	9,331	10,014
		1,641,740	1,179,027	3,109,387
Net current assets		**518,410**	1,630,827	931,906
Total assets less current liabilities		**32,209,982**	26,987,273	21,293,633
Non-current liabilities				
Borrowings due after one year	30	**2,685,950**	4,037,328	2,494,127
Deferred taxation	31	**759,675**	632,841	824,788
		3,445,625	4,670,169	3,318,915
NET ASSETS		**28,764,357**	22,317,104	17,974,718

	Notes	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Equity				
Share capital	32	**311,404**	310,913	304,832
Share premium and reserves		**28,452,953**	22,006,191	17,669,886
TOTAL EQUITY		**28,764,357**	22,317,104	17,974,718

The consolidated financial statements on pages 67 to 152 were approved and authorised for issue by the Board of Directors on 23 February 2011 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 2010

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000 (Note)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	304,832	3,588,652	(5,255,002)	–	1,650	402,540	(413,344)	27,743	–	19,317,647	17,974,718
Profit for the year	–	–	–	–	–	–	–	–	–	1,182,666	1,182,666
Fair value gain on available-for-sale investments	–	–	2,908,233	–	–	–	–	–	–	–	2,908,233
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	409,874	–	–	–	409,874
Total comprehensive income for the year	–	–	2,908,233	–	–	–	409,874	–	–	1,182,666	4,500,773
Dividend paid	–	–	–	–	–	–	–	–	–	(319,092)	(319,092)
Shares issued at premium	6,081	150,448	–	–	–	–	–	–	–	–	156,529
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	4,176	–	–	4,176
At 31 December 2009	310,913	3,739,100	(2,346,769)	–	1,650	402,540	(3,470)	31,919	–	20,181,221	22,317,104
Profit for the year	–	–	–	–	–	–	–	–	–	4,179,213	4,179,213
Fair value gain on available-for- sale investments	–	–	1,080,015	–	–	–	–	–	–	–	1,080,015
Surplus on revaluation of an owner occupied property upon change of use to investment property	–	–	–	23,109	–	–	–	–	–	–	23,109
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	81,186	–	–	–	81,186
Share of other comprehensive income of associates	–	–	–	–	–	–	93	–	66,251	–	66,344
Share of other comprehensive income of a jointly controlled entity	–	–	–	–	–	–	12,356	–	–	–	12,356
Total comprehensive income for the year	–	–	1,080,015	23,109	–	–	93,635	–	66,251	4,179,213	5,442,223
Dividend paid	–	–	–	–	–	–	–	–	–	(336,269)	(336,269)
Shares issued at premium	491	23,336	–	–	–	–	–	(5,674)	–	–	18,153
Share issue expenses	–	(8)	–	–	–	–	–	–	–	–	(8)
Release upon reclassification to interests in associates	–	–	1,309,822	–	–	–	–	–	–	–	1,309,822
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	13,332	–	–	13,332
At 31 December 2010	**311,404**	**3,762,428**	**43,068**	**23,109**	**1,650**	**402,540**	**90,165**	**39,577**	**66,251**	**24,024,165**	**28,764,357**

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 Group is available for distribution to shareholders.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (restated)
Operating activities			
Profit before tax		**4,414,681**	1,040,755
Adjustments for:			
Share of results of associates		**(1,858,883)**	(16,450)
Share of results of a jointly controlled entity		**7,167**	–
Fitting-out works of hotel building written off		**4,094**	–
Loss on disposal of property, plant and equipment		**1,544**	163
Management service income from Champion Real Estate Investment Trust ("Champion REIT")		**(113,063)**	(205,107)
Income from discounted payoff of borrowings		**(220,072)**	–
Interest income		**(177,190)**	(171,802)
Interest expense		**111,516**	121,525
Dividends received from listed available-for-sale investments		**(599,495)**	(580,922)
Allowance for doubtful debts (written back), net		**549**	(1,363)
Depreciation on other property, plant and equipment		**117,750**	130,414
Depreciation on leasehold land and hotel buildings		**231,540**	229,374
Recognition of share based payments		**13,332**	4,176
Fair value changes on investment properties		**(571,775)**	(85,482)
Fair value changes on derivative financial instruments		**(458,437)**	(279,887)
Fair value changes on financial assets carried at fair value through profit or loss		**(16,039)**	(48,473)
Reversal of provision on construction fee payable		**–**	(105,256)
Impairment loss recognised in respect of a hotel property	16	**–**	490,908
Operating cash flows before movements in working capital		**887,219**	522,573
(Increase) decrease in inventories		**(11,624)**	45,346
(Increase) decrease in debtors, deposits and prepayments		**(104,916)**	92,780
Increase (decrease) in creditors, deposits and accruals		**131,303**	(273,224)
Cash generated from operations		**901,982**	387,475
Hong Kong Profits Tax paid		**(90,295)**	(94,868)
Other jurisdictions tax paid		**(3,084)**	(29,591)
Hong Kong Profits Tax refunded		**15**	–
Other jurisdictions tax refunded		**–**	19,506
Net cash from operating activities		**808,618**	282,522

	Note	2010 HK$'000	2009 HK$'000 (restated)
Investing activities			
Interest received		49,132	52,670
Dividends received from listed available-for-sale investments		469,863	172,691
Dividends received from an associate		5,004	4,064
Additions of investment properties		(4,797)	(7,041)
Additions of property, plant and equipment		(748,269)	(427,311)
Additions of notes receivable		(424,922)	(350,031)
Additions of financial assets designated as at fair value through profit or loss		(28,842)	(297,756)
Additions of available-for-sale investments		(1,493)	–
Investment in an associate		(189,198)	–
Investment in a jointly controlled entity		(224,612)	–
Proceeds on disposal of investment properties		11,864	12,915
Proceeds on disposal of property, plant and equipment		74	215
Proceeds on redemption of notes receivable		626,984	–
Proceeds on disposal of financial assets designated as at fair value through profit or loss		250,762	–
Proceeds on disposal of a subsidiary	19	295,500	–
Deposit paid for acquisition of leasehold land		–	(591,000)
Decrease (increase) in restricted cash		61,521	(27,634)
Net cash from (used in) investing activities		148,571	(1,458,218)
Financing activities			
Interest paid		(101,292)	(126,804)
Issue of shares		15,896	–
New bank loans raised		–	79,497
Repayments of bank loans		(838,344)	(176,996)
Dividends paid to shareholders		(334,019)	(162,563)
Net cash used in financing activities		(1,257,759)	(386,866)
Decrease in cash and cash equivalents		(300,570)	(1,562,562)
Effect of foreign exchange rates changes		3,782	63,686
Cash and cash equivalents at the beginning of the year		1,850,232	3,349,108
Cash and cash equivalents at the end of the year		1,553,444	1,850,232
Analysis of the balance of cash and cash equivalents:			
Bank balances and cash		1,553,444	1,859,563
Bank overdrafts		–	(9,331)
		1,553,444	1,850,232

1. General

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

The principal activity of the Company is investment holding.

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies

In the current year, the Group has applied the following revisions, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised 2008) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

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

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

In respect of the disposal of 50% of the Group's equity interest in an indirectly wholly owned subsidiary, Wealth Joy Holdings Limited ("Wealth Joy") (see note 19), the application of HKAS 27 (Revised 2008) and consequential amendments to HKAS 31 "Interests in Joint Ventures" has no material impact on the consolidated financial statements of the Group.

Amendment to HKAS 17 "Leases"

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

Summary of the effect of the changes in accounting policies

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

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

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

At 31 December 2010, leasehold land that qualifies for finance lease classification with the carrying amount of HK$1,660,852,000 has been included in property, plant and equipment.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK-Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-Int 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK-Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK-Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$220,000,000 and HK$260,000,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 and 1 January 2009 respectively. The application of HK-Int 5 has had no impact on the reported profit or loss for the current and prior years and the financial position at 31 December 2010.

	31 December 2009		
	Originally stated HK$'000	Adjustments HK$'000	Restated HK$'000
Borrowings due within one year	247,040	220,000	467,040
Borrowings due after one year	4,257,328	(220,000)	4,037,328
Total effects on net assets	4,504,368	–	4,504,368

	1 January 2009		
	Originally stated HK$'000	Adjustments HK$'000	Restated HK$'000
Borrowings due within one year	1,668,963	260,000	1,928,963
Borrowings due after one year	2,754,127	(260,000)	2,494,127
Total effects on net assets	4,423,090	–	4,423,090

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (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 issued in 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification to Rights Issues[2]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual period beginning on or after 1 February 2010
[3] Effective for annual period beginning on or after 1 July 2010
[4] Effective for annual period beginning on or after 1 January 2011
[5] Effective for annual period beginning on or after 1 July 2011
[6] Effective for annual period beginning on or after 1 January 2012
[7] Effective for annual period beginning on or after 1 January 2013

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")/changes in accounting policies (continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors are in the process of assessing the impact from the application of the new standard on the results and the financial position of the Group.

The amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. Had the amendments been adopted for the year ended 31 December 2010, the deferred tax liabilities for investment properties as at 31 December 2010 would have been decreased by HK$480,476,000 (2009: HK$385,630,000), the interests in associates would have been increased by HK$400,297,000 (2009: nil) and the profit for the current year would have been increased by HK$880,773,000 (2009: HK$50,299,000).

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

3. 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 (the "Listing Rules") 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 and 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.

Loss of control of a subsidiary

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. Significant accounting policies (continued)

Investments in associates

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

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

Where the Group's investment in an associate previously classified as available-for-sale investment or held-for-trading financial assets (accounted for in accordance with HKAS 39), their carrying amounts at the date when significant influence is achieved become the deemed cost of such investment.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits or losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. Significant accounting policies (continued)

Jointly controlled entities

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

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

When a group entity transacts with its jointly controlled entity, profits or losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts 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. Lease incentives provided to the leasees are amortised on a straight-line basis over the respective term of the 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 (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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.

3. Significant accounting policies (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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 (other than properties under construction as described below) 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.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than properties under construction) 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 term of the lease
Owner occupied properties 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%

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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.

Impairment losses on tangible assets

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

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

Investment properties

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

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

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

3. Significant accounting policies (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

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

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

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

Borrowing costs

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

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

3. Significant accounting policies (continued)

Retirement benefit costs

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the 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 items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. Significant accounting policies (continued)

Inventories

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial asset carried at fair value through profit or loss

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

A financial asset is classified as held-for-trading if:

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

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

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

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

Loans and receivables

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

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

Investment in convertible bonds

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities (including creditors, unsecured bank overdrafts 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.

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

Equity-settled share-based payment transactions

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

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

At the time when the share options are exercised, the amount previously recognised in share option 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 option reserve will be transferred to retained profits.

4. Key sources of estimation uncertainty

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

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

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

Investment properties

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

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

In determining the fair value of investment properties situated in the United States of America ("USA"), the valuer has 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 have exercised their judgments and are satisfied that the methods of valuations are reflective of the current market conditions.

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

For structured notes designated at FVTPL and derivative financial instruments and as described in notes 27 and 29, respectively, the Directors determined the fair values of structured notes designated at FVTPL and derivative financial instruments based on valuation from counterparty financial institution and banks.

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 owners of the Company, comprising issued share capital, reserves and retained profits.

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

6. Financial risk management objectives and policies

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

(a) Market risk

(i) Interest rate risk

Interest rate risk management

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

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

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

The interest rate and terms of straight debt receivable in investment in convertible bonds, notes receivable, bank balances and borrowings for the Group are set out in notes 21, 22, 24 and 30, respectively.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate borrowings at the end of the reporting period. The effect on notes receivable is not included in the sensitivity analysis as the impact is insignificant. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2009: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year ended 31 December 2010 would decrease/increase by HK$14,926,000 (2009: HK$19,848,000).

6. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(ii) Currency risk

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

Foreign currency risk management

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

	Assets		Liabilities	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Pound Sterling	**42,218**	101,631	**431**	–
United States dollars	**261,662**	1,282,520	**2,600**	2,104
Euro dollars	**2,290**	49	**6**	52
Australian dollars	**133,782**	99,024	**–**	–
New Zealand dollars	**749**	4,211	**–**	–

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% (2009: 10%) increase and decrease in the Hong Kong dollars against the relevant foreign currencies. As Hong Kong dollars are pegged to US dollars, it is assumed that there would be no material currency risk exposure between these two currencies and therefore is excluded from the analysis below. 10% (2009: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% (2009: 10%) change in foreign currency rate. A positive number below indicates an increase in profit before tax where Hong Kong dollars weaken 10% (2009: 10%) against the relevant currency. For a 10% (2009: 10%) strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	2010 **HK$'000**	2009 HK$'000
Pound Sterling	**4,222**	10,163
Euro dollars	**229**	–
Australian dollars	**13,378**	9,902
New Zealand dollars	**75**	421

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

6. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

(iii) Other price risk

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

Other price sensitivity

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

If the prices of the listed available-for-sale investments and held-for-trading investments had been 10% (2009: 10%) higher/lower:

- profit before tax for the year ended 31 December 2009 would increase/decrease by HK$12,030,000 as a result of the changes in fair value of listed financial assets carried at FVTPL; and
- investment revaluation reserve would increase/decrease by HK$8,388,000 (2009: deficit in investment revaluation reserve would decrease/increase by HK$806,327,000) for the Group as a result of the changes in fair value of listed available-for-sale investments.

If the volatility of unit price of Champion REIT to the valuation model of embedded derivatives in investment in convertible bonds had been 5% (2009: 5%) higher/lower while all other variables were held constant, the profit before tax for the year ended 31 December 2010 would increase/decrease by HK$17,156,000/HK$17,605,000 (2009: increase/decrease by HK$39,562,000/HK$61,939,000) as a result of the changes in fair value of embedded derivatives in investment in convertible bonds.

(b) Liquidity risk

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

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

6. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

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

	Interest rate	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	1 to 2 years HK$'000	2 to 3 years HK$'000	Over 3 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount as at 31 December HK$'000
2010									
Non-interest bearing	–	300,108	–	–	–	–	–	300,108	300,108
Fixed interest rate instruments	4.91% to 6.09%	137,232	370,349	–	–	–	–	507,581	499,013
Variable interest rate instruments	1.41% to 5.96%	43,242	262,880	63,276	2,620,678	128,392	–	3,118,468	2,985,255
		480,582	633,229	63,276	2,620,678	128,392	–	3,926,157	3,784,376
2009									
Non-interest bearing	–	285,521	–	–	–	–	–	285,521	285,521
Fixed interest rate instruments	4.91% to 12.50%	10,117	53,435	18,841	497,656	–	–	580,049	549,930
Variable interest rate instruments*	1.91% to 4.99%	144,721	71,341	96,844	1,152,030	2,531,381	127,120	4,123,437	3,963,769
		440,359	124,776	115,685	1,649,686	2,531,381	127,120	4,989,007	4,799,220

* The maturity analysis of a variable interest rate bank borrowing subject to a repayable on demand clause with a carrying amount of HK$260,000,000 at 31 December 2009 was prepared based on the scheduled repayment dates. The principal amount and interest cash outflows included in the above maturity analysis amounted to HK$264,939,000, mainly included in the time band of 1 to 2 years.

6. Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

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

	0 to 3 months HK$'000	3 to 6 months HK$'000	6 months to 1 year HK$'000	Total HK$'000
2010				
Derivatives gross settlement				
Currency forward contracts				
– inflow	**–**	**(316)**	**(4,412)**	**(4,728)**
– outflow	**–**	**340**	**4,750**	**5,090**
	–	**24**	**338**	**362**
2009				
Derivatives gross settlement				
Currency forward contracts				
– inflow	(20,951)	(14,464)	–	(35,415)
– outflow	21,167	14,839	–	36,006
	216	375	–	591

6. Financial risk management objectives and policies (continued)

(c) Credit risk

The Group's principal financial assets are available-for-sale investments, investment in convertible bonds, notes receivable, amounts due from associates, trade debtors, structured notes designated at FVTPL and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

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

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

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

6. Financial risk management objectives and policies (continued)

(d) Categories of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables		
Trade debtors	267,542	225,706
Other receivables	45,280	37,768
Notes receivable	229,866	427,531
Amounts due from associates	12,077	12,077
Straight debt receivable in investment in convertible bonds	2,551,177	2,420,897
Restricted cash	–	61,521
Bank balances and cash	1,553,444	1,859,563
	4,659,386	5,045,063
Financial assets at FVTPL		
Held-for-trading financial assets	–	120,296
Embedded derivatives in investment in convertible bonds	758,820	300,612
Designated as at FVTPL	77,740	297,889
	836,560	718,797
Available-for-sale financial assets		
Available-for-sale investments	103,660	8,083,050
Financial liabilities		
Financial liabilities at amortised costs		
Trade creditors	164,558	150,826
Other payables	135,550	134,695
Borrowings	3,484,268	4,504,368
Unsecured bank overdrafts	–	9,331
	3,784,376	4,799,220
Financial liabilities at fair value through profit or loss		
Derivative financial instruments classified as held-for-trading	362	591

6. Financial risk management objectives and policies (continued)

(e) Fair value

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

- the fair values of listed available-for-sale investments and financial assets carried at FVTPL with standard terms and conditions and traded on active liquid markets are determined with reference to quoted closing prices.
- the fair values of structured notes designated as at FVTPL and derivative financial instruments are determined using valuation provided by counterparty financial institutions and banks. For embedded derivatives in investment in convertible bonds, their fair values are determined based on the Binomial model using the assumptions that are supported by observable market data.
- the fair values 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 consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate their fair values.

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. Financial risk management objectives and policies (continued)

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2010				
Financial assets at FVTPL				
Embedded derivatives in investment in convertible bonds	**–**	**–**	**758,820**	**758,820**
Designated as at FVTPL	**–**	**–**	**77,740**	**77,740**
Available-for-sale financial assets				
Available-for-sale investments	**83,879**	**–**	**–**	**83,879**
	83,879	**–**	**836,560**	**920,439**
Financial liabilities at FVTPL				
Derivative financial instruments classified as held-for-trading	**–**	**362**	**–**	**362**
2009				
Financial assets at FVTPL				
Held-for-trading financial assets	120,296	–	–	120,296
Embedded derivatives in investment in convertible bonds	–	–	300,612	300,612
Designated as at FVTPL	–	–	297,889	297,889
Available-for-sale financial assets				
Available-for-sale investments	8,063,269	–	–	8,063,269
	8,183,565	–	598,501	8,782,066
Financial liabilities at FVTPL				
Derivative financial instruments classified as held-for-trading	–	591	–	591

6. Financial risk management objectives and policies (continued)

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

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

Reconciliation of Level 3 fair value measurement of financial assets

	Designated as at FVTPL HK$'000	Embedded derivatives in investment in convertible bonds HK$'000	Total HK$'000
At 1 January 2009	–	28,410	28,410
Purchase during the year	297,889	–	297,889
Change in fair value recognised in profit or loss	–	272,202	272,202
At 31 December 2009	297,889	300,612	598,501
Purchase during the year	28,842	–	28,842
Settlement during the year	(250,761)	–	(250,761)
Change in fair value recognised in profit or loss	–	458,208	458,208
Exchange adjustments	1,770	–	1,770
At 31 December 2010	77,740	758,820	836,560

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

7. Revenue

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

	2010 HK$'000	2009 HK$'000
Property rental income	264,975	250,726
Building management service income	19,158	19,159
Hotel income	3,269,365	2,570,447
Sales of goods	103,098	113,358
Dividend income	599,495	580,922
Management service income earned as a manager of real estate investment trust	181,042	205,107
Others	257,022	218,647
	4,694,155	3,958,366

8. Segment information

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group. Such internal reports are regularly reviewed by the chief operating decision maker (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. The Group's reportable segments under HKFRS 8 are as follows:

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

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

8. Segment information (continued)

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

2010

Segment revenue and results

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External revenue	284,133	3,269,365	858,920	281,737	–	4,694,155
Inter-segment revenue	20,980	–	–	11,501	(32,481)	–
Total	305,113	3,269,365	858,920	293,238	(32,481)	4,694,155

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

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULTS						
Segment results	172,708	657,589	830,161	244,620		1,905,078
Unallocated corporate income						223,044
Unallocated corporate expenses						(137,107)
Depreciation and amortisation						(349,290)
Fair value changes on investment properties						571,775
Fair value changes on derivative financial instruments						458,437
Fair value changes on financial assets carried at fair value through profit or loss						16,039
Finance costs						(125,011)
Share of results of associates						1,858,883
Share of results of a jointly controlled entity						(7,167)
Profit before tax						4,414,681
Income taxes						(235,468)
Profit for the year attributable to owners of the Company						4,179,213

8. Segment information (continued)

Other segment information

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results:					
Interest income on investment in convertible bonds	–	–	–	153,680	153,680
Interest income on notes receivable	–	–	–	15,570	15,570

Amounts regularly provided to the chief operating decision maker in segment reporting:

Addition to non-current assets (note)	4,670	735,931	–	–	740,601

Note: Non-current assets excluded financial instruments, interests in associates and interest in a jointly controlled entity.

8. Segment information (continued)

2009

Segment revenue and results

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

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

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

8. Segment information (continued)

Other segment information

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results:					
Reversal of provision on construction fee payable	–	–	–	105,256	105,256
Interest income on investment in convertible bonds	–	–	–	145,880	145,880
Interest income on notes receivable	–	–	–	12,032	12,032

	Property investment HK$'000	Hotel operation HK$'000	Income from Champion REIT HK$'000	Other operations HK$'000	Consolidated HK$'000
Amounts regularly provided to the chief operating decision maker in segment reporting:					
Addition to non-current assets (note)	6,689	383,871	34	3,343	393,937

Note: Non-current assets excluded financial instruments, deposit for acquisition of leasehold land and interests in associates.

Segment assets and liabilities

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

8. Segment information (continued)

Geographical information

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

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

	Revenue from external customers		Carrying amounts of non-current assets	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000 (restated)
Hong Kong	**2,527,105**	2,273,662	**7,938,482**	7,462,959
The USA	**636,027**	577,013	**2,636,186**	2,200,535
Canada	**504,461**	442,442	**824,758**	740,438
The United Kingdom	**417,961**	243,849	**1,951,302**	1,991,963
Australia	**372,623**	284,819	**824,606**	711,264
New Zealand	**186,326**	120,600	**425,860**	371,565
Others	**49,652**	15,981	**499**	639,135
	4,694,155	3,958,366	**14,601,693**	14,117,859

9. Other income

	2010 HK$'000	2009 HK$'000
Interest income on:		
Bank deposits	7,940	13,890
Investment in convertible bonds (note 21)	153,680	145,880
Notes receivable	15,570	12,032
	177,190	171,802
Reversal of provision on construction fee payable (note)	–	105,256
Net exchange gain	14,003	4,880
Reversal of allowance for doubtful debts, net	–	1,363
Sundry income	6,729	4,744
	197,922	288,045

Note: During the year ended 31 December 2009, the construction fee payable in respect of investment properties disposed of on 3 June 2008 was finalised (see note 39), resulting in a release of provision on construction fee payable amounting to HK$105,256,000.

10. Finance costs

	2010 HK$'000	2009 HK$'000
Interest on bank borrowings wholly repayable within five years	70,409	77,834
Interest on other loans wholly repayable within five years	41,107	43,691
Other borrowing costs	13,495	10,114
	125,011	131,639

11. Income taxes

	2010 HK$'000	2009 HK$'000
Current tax:		
Current year:		
Hong Kong Profits Tax	**89,308**	88,047
Other jurisdictions	**26,051**	13,926
	115,359	101,973
Under (over) provision in prior years:		
Hong Kong Profits Tax	**308**	(30,146)
Other jurisdictions	**(492)**	(4,034)
	(184)	(34,180)
	115,175	67,793
Deferred tax (note 31):		
Current year	**122,739**	(243,491)
(Over) underprovision in prior years	**(2,446)**	33,787
	120,293	(209,704)
	235,468	(141,911)

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. Income taxes (continued)

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

	2010 HK$'000	2009 HK$'000
Profit before tax	**4,414,681**	1,040,755
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**728,422**	171,725
Tax effect of expenses that are not deductible for tax purpose	**30,761**	17,475
Tax effect of income that is not taxable for tax purpose	**(205,396)**	(172,532)
Tax effect of deductible temporary difference not recognised	**–**	17,686
Overprovision in prior years	**(2,630)**	(393)
Tax effect of share of results of associates	**(306,716)**	(2,714)
Tax effect of share of results of a jointly controlled entity	**1,183**	–
Tax effect of tax losses not recognised	**16,087**	20,853
Utilisation of tax losses previously not recognised	**(27,872)**	(30,433)
Utilisation of deductible temporary differences previously not recognised	**(17,686)**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**26,881**	(165,681)
Others	**(7,566)**	2,103
Tax charge (credit) for the year	**235,468**	(141,911)

12. Profit for the year attributable to owners of the Company

	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year attributable to owners of the Company has been arrived at after charging:		
Staff costs (including directors' emoluments)	**1,413,866**	1,162,045
Share based payments (including directors' emoluments)	**13,332**	4,176
	1,427,198	1,166,221
Depreciation and amortisation on		
– leasehold land and hotel buildings	**231,540**	229,374
– other property, plant and equipment	**117,750**	130,414
	349,290	359,788
Auditor's remuneration	**8,163**	8,131
Allowance for doubtful debts (included in other expenses)	**549**	–
Fitting-out works of hotel building written off (included in other expenses)	**4,094**	–
Operating lease payments on rented premises	**47,886**	51,562
Cost of inventories recognised as an expense	**422,834**	393,822
Share of tax of associates (included in the share of result of associates)	**433,444**	1,645
Loss on disposal of property, plant and equipment	**1,544**	163
and after crediting:		
Net exchange gain	**14,003**	4,880
Dividend income from listed investments:		
– Champion REIT	**596,955**	578,979
– Others	**2,540**	1,943
	599,495	580,922
Rental income from investment properties less related outgoings of HK$85,926,000 (2009: HK$86,523,000)	**179,049**	164,203

13. Directors' and employees' emoluments

The emoluments paid or payable to each of the twelve (2009: twelve) directors were as follows:

2010

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Madam LO TO Lee Kwan	120	–	–	–	–	120
Dr. LO Ka Shui	120	5,153	1,187	3,161	178	9,799
Mr. LO Kai Shui	120	1,324	204	552	61	2,261
Mr. CHENG Hoi Chuen, Vincent	380	–	–	–	–	380
Professor WONG Yue Chim, Richard	340	–	–	–	–	340
Mrs. LEE Pui Ling, Angelina	340	–	–	–	–	340
Mr. Zhu Qi	270	–	–	–	–	270
Mr. LO Hong Sui, Antony	120	1,175	220	729	59	2,303
Madam LAW Wai Duen	120	477	80	532	24	1,233
Mr. LO Hong Sui, Vincent	120	–	–	–	–	120
Dr. LO Ying Sui, Archie	120	–	–	–	–	120
Mr. KAN Tak Kwong	120	3,423	1,141	1,104	171	5,959
	2,290	11,552	2,832	6,078	493	23,245

2009

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

13. Directors' and employees' emoluments (continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2009: two) were Directors whose emoluments are included in the disclosures above. The emoluments of the remaining three (2009: three) individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	11,185	9,824
Discretionary bonuses	1,650	985
Share based payments	784	445
Retirement benefits scheme contributions	625	583
	14,244	11,837

	2010 Number of employees	2009 Number of employees
Bands:		
HK$3,000,001 - HK$3,500,000	–	1
HK$3,500,001 - HK$4,000,000	–	1
HK$4,000,001 - HK$4,500,000	2	–
HK$4,500,001 - HK$5,000,000	–	1
HK$5,500,001 - HK$6,000,000	1	–
	3	3

14. Dividends

	2010 HK$'000	2009 HK$'000
Dividends paid:		
– Final dividend of HK35 cents in respect of the financial year ended 31 December 2009 (2009: HK35 cents in respect of the financial year ended 31 December 2008) per ordinary share	**217,938**	213,381
– Interim dividend of HK19 cents in respect of the financial year ended 31 December 2010 (2009: HK17 cents in respect of the financial year ended 31 December 2009) per ordinary share	**118,331**	105,711
	336,269	319,092
Dividends proposed:		
– Proposed final dividend of HK38 cents in respect of the financial year ended 31 December 2010 (2009: HK35 cents in respect of the financial year ended 31 December 2009) per ordinary share	**236,668**	217,639

The proposed final dividend in respect of the financial year ended 31 December 2010 is subject to approval by the shareholders in the forthcoming annual general meeting.

15. Earnings per share

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

	2010 HK$'000	2009 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**4,179,213**	1,182,666
Effect of dilutive potential shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**(2,427)**	–
Earnings for the purpose of diluted earnings per share	**4,176,786**	1,182,666
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**622,627,026**	615,928,605
Effect of dilutive potential shares:		
Share options	**1,665,431**	846,650
Weighted average number of shares for the purpose of diluted earnings per share	**624,292,457**	616,775,255

16. Property, plant and equipment

	Freehold land HK$'000	Leasehold land HK$'000	Hotel buildings HK$'000	Hotel buildings under development HK$'000	Owner occupied properties situated in Hong Kong HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Total HK$'000
COST									
At 1 January 2009, restated	1,179,730	2,350,420	8,148,353	–	89,755	606,123	4,115	1,243	12,379,739
Exchange adjustments	117,613	–	558,779	–	–	52,307	–	–	728,699
Additions	–	–	310,683	–	–	76,653	–	–	387,336
Disposals/written off	–	–	–	–	–	(1,234)	(570)	(1,220)	(3,024)
At 31 December 2009, restated	1,297,343	2,350,420	9,017,815	–	89,755	733,849	3,545	23	13,492,750
Exchange adjustments	11,518	–	127,684	–	–	30,965	–	–	170,167
Additions	–	–	143,600	465,681	–	126,650	–	–	735,931
Transfer from investment properties	–	–	–	–	91,000	–	–	–	91,000
Transfer to investment properties	–	(1,002)	–	–	(45,641)	–	–	–	(46,643)
Disposals/written off	–	–	(6,694)	–	–	(13,935)	–	–	(20,629)
At 31 December 2010	**1,308,861**	**2,349,418**	**9,282,405**	**465,681**	**135,114**	**877,529**	**3,545**	**23**	**14,422,576**
DEPRECIATION AND IMPAIRMENT									
At 1 January 2009, restated	74,362	599,236	1,530,050	–	12,073	369,708	3,223	1,243	2,589,895
Exchange adjustments	4,836	–	141,115	–	–	33,706	–	–	179,657
Charge for the year	–	44,771	184,769	–	3,137	126,703	408	–	359,788
Impairment loss recognised in the consolidated income statement	111,095	–	379,813	–	–	–	–	–	490,908
Eliminated on disposals/written off	–	–	–	–	–	(856)	(570)	(1,220)	(2,646)
At 31 December 2009, restated	190,293	644,007	2,235,747	–	15,210	529,261	3,061	23	3,617,602
Exchange adjustments	1,941	–	46,641	–	–	17,575	–	–	66,157
Charge for the year	–	44,768	186,935	–	4,519	112,868	200	–	349,290
Eliminated on transfer to investment properties	–	(213)	–	–	(4,739)	–	–	–	(4,952)
Eliminated on disposals/written off	–	–	(2,600)	–	–	(12,317)	–	–	(14,917)
At 31 December 2010	**192,234**	**688,562**	**2,466,723**	**–**	**14,990**	**647,387**	**3,261**	**23**	**4,013,180**
CARRYING AMOUNTS									
At 31 December 2010	**1,116,627**	**1,660,856**	**6,815,682**	**465,681**	**120,124**	**230,142**	**284**	**–**	**10,409,396**
At 31 December 2009, restated	1,107,050	1,706,413	6,782,068	–	74,545	204,588	484	–	9,875,148
At 1 January 2009, restated	1,105,368	1,751,184	6,618,303	–	77,682	236,415	892	–	9,789,844

16. Property, plant and equipment (continued)

At 31 December 2010, leasehold land with carrying amounts of HK$1,642,109,000 (2009: HK$1,686,714,000) and HK$18,747,000 (2009: HK$19,699,000) were situated in Hong Kong under medium-term and long-term leases which are finance lease in nature, respectively. Freehold land was situated outside Hong Kong.

Owner occupied land and buildings situated in Hong Kong are held under long-term leases which are finance lease in nature. During the year ended 31 December 2010, a carrying value of HK$41,691,000 was transferred to investment properties due to change in use from owner occupation to earning rental from outsiders. At the date of change in use, the fair value of the property was HK$64,800,000, the excess of fair value over the carrying value of the property at that date of HK$23,109,000 was recognised in property revaluation reserve. In addition, investment properties with carrying value of HK$91,000,000 were transferred to property, plant and equipment due to change in use from earning rental from outsiders to owner occupation.

At 31 December 2009 and 2010, the Directors conducted an impairment assessment on hotel properties, no reversal or additional impairment loss was recognised for the year ended 31 December 2010. The recoverable amounts of the hotel properties located in the USA at 31 December 2009 were determined less than their carrying amounts. The review led to the recognition of an impairment loss of HK$490,908,000 in the consolidated income statement for the year ended 31 December 2009. The recoverable amount of the hotel properties (comprising freehold land and hotel buildings) at 31 December 2009 were determined by value in use which were estimated using the future cash flows expected to arise and suitable discount rates ranging from 10.5% to 11% in order to calculate the present values.

17. Investment properties

	2010 HK$'000	2009 HK$'000
FAIR VALUE		
At 1 January	3,651,711	3,571,890
Exchange adjustments	2,205	653
Additions	4,670	6,601
Transfer from property, plant and equipment	64,800	–
Transfer to property, plant and equipment	(91,000)	–
Increase in fair value recognised in the consolidated income statement	571,775	85,482
Disposals	(11,864)	(12,915)
At 31 December	4,192,297	3,651,711

17.Investment properties (continued)

(a) The Group's property interests situated in Hong Kong of HK$3,291,290,000 (2009: HK$2,745,140,000) which are held under leasehold interests 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 2010 and 2009 has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

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

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

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

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

	2010 HK$'000	2009 HK$'000
Long leases in Hong Kong	**3,118,290**	2,592,140
Medium-term leases in Hong Kong	**173,000**	153,000
Freehold land outside Hong Kong	**901,007**	906,571
	4,192,297	3,651,711

18. Interests in associates

	2010 HK$'000	2009 HK$'000
Cost of investment in associates: Unlisted associates in Hong Kong	**12**	12
Unlisted associate in the People's Republic of China ("PRC") (note a)	**189,198**	–
Listed associates in Hong Kong: – investment in Champion REIT (note b) – others	**10,795,911** **2,596**	– 2,596
	10,798,507	2,596
Share of post acquisition profit and other comprehensive income, net of dividend received	**1,977,080**	56,858
	12,964,797	59,466
Fair value of listed associates	**11,774,827**	58,188

(a) On 19 August 2010, the Group completed an acquisition of one-third of the entire issued share capital of Magic Garden Investments Limited ("MGIL"), a wholly owned subsidiary of Shui On Investment Company Limited ("Shui On"), at a consideration of US$24,118,000 (equivalent to HK$188,120,000) pursuant to a sale and purchase agreement entered into on 1 April 2010 among an indirectly wholly owned subsidiary of the Company, the chairman and managing director of the Group and Shui On, a related company in which a director, who is also a shareholder, of the Company has controlling interest. MGIL indirectly holds a hotel under development in the Luwan District, Shanghai. Details of the sales and purchase agreement were disclosed in an announcement issued on 1 April 2010 and a circular dated 21 April 2010 pursuant to the Listing Rules.

18. Interests in associates (continued)

(b) On 23 July 2010, Champion REIT announced that amendments have been made to the Trust Deed to comply with the revisions to the Code on Real Estate Investment Trusts published by The Securities and Future Commission of Hong Kong (the "REIT Code") on 25 June 2010. The Directors of the Company evaluated the amendments to the REIT Code, the Trust Deed and those factors as disclosed in note 20 and concluded that the Group is able to exert significant influence on Champion REIT upon amendment to the Trust Deed in July 2010. Accordingly, the Group's holding of units issued by Champion REIT (included in available-for-sale investments and held-for-trading investments as disclosed in notes 20 and 27, respectively) were reclassified to investment in an associate at their carrying amounts. Thereafter, investment revaluation reserve thereon of HK$1,309,822,000 was released upon reclassification.

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

	2010 **HK$'000**	2009 HK$'000
Total assets	**52,435,559**	649,074
Total liabilities	**(21,058,276)**	(262,434)
Net assets	**31,377,283**	386,640
Group's share of net assets of the principal associate	**12,691,218**	59,466
Revenue	**805,822**	698,689
Profit for the year	**3,556,399**	80,748
Group's share of results of the principal associate for the year	**1,829,056**	16,450
Group's share of other comprehensive income of the principal associate	**66,251**	–

Particulars regarding the associates are set out in note 41.

19. Interest in a jointy controlled entity

	2010 HK$'000	2009 HK$'000
Cost of investment in a jointly controlled entity	520,112	–
Share of post acquisition results and other comprehensive income	5,189	–
	525,301	–

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

On 5 February 2010, a subscription and shareholders' agreement (the " Agreement") was signed between Queenbrook Investments Limited ("Queenbrook"), the immediate holding company of Wealth Joy, and an independent third party investor (the "Investor") for jointly developing the Land (the "Project"). Completion of the Agreement took place on 26 February 2010 and 50% of issued share capital of Wealth Joy was disposed to the Investor at a consideration of HK$295,500,000, which was equal to its share of net identifiable assets at the date of completion of the Agreement. Pursuant to the Agreement, the financial and operating policies of Wealth Joy require unanimous consent from the Group and the Investor. Since then, Wealth Joy became a jointly controlled entity ("JCE") of the Group. After the disposal, each of the Group and the Investor had further injected capital of HK$224,612,000 to the JCE for funding the development of the Project during the period. The Group's interest in the JCE amounted to HK$525,301,000 as at 31 December 2010.

Particulars regarding the jointly controlled entity are set out in note 42.

19. Interest in a jointy controlled entity (continued)

The summarised financial information in respect of the Group's interest in the jointly controlled entity is set out below:

	2010 HK$'000	2009 HK$'000
Current assets	**588,603**	–
Non-current assets	**766**	–
Current liabilities	**64,068**	–
Income recognised in profit or loss	**23**	–
Expenses recognised in profit or loss	**7,190**	–
Other comprehensive income	**12,356**	–

20. Available-for-sale investments

Available-for-sale investments comprise:

	2010 HK$'000	2009 HK$'000
Listed in Hong Kong:		
– units issued by Champion REIT	**–**	7,982,977
– equity securities	**83,879**	80,292
Unlisted equity securities in Hong Kong	**19,781**	19,781
	103,660	8,083,050
Market value of listed securities	**83,879**	8,063,269

As described in note 18, the Group's investment in Champion REIT was reclassified to interests in associates upon amendments to the Trust Deed on 23 July 2010.

At 31 December 2009, the Directors were of the view that Champion REIT is a trust constituted by the Trust Deed and regulated by, inter alia, the REIT Code, which prescribes certain rights, duties and obligations of the manager, trustee and unitholders under the Trust Deed. The Directors concluded that the Group did not exercise control or significant influence on the operating and financial policies of Champion REIT. Accordingly, Champion REIT was not regarded as a subsidiary nor an associate of the Group.

In determining the impairment of the Group's investment in Champion REIT at 31 December 2009, the Directors considered any loss events at the end of the reporting period which have an impact on the estimated future cash flows of Champion REIT. The Directors assessed that no objective evidence of impairment was identified. Accordingly, no impairment was recognised.

20. Available-for-sale investments (continued)

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

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

21. Investment in convertible bonds

	Straight debt HK$'000	Embedded derivatives HK$'000	Total HK$'000
At 1 January 2009	2,298,417	28,410	2,326,827
Interest income recognised during the year	145,880	–	145,880
Interest received	(23,400)	–	(23,400)
Change in fair value	–	272,202	272,202
At 31 December 2009	2,420,897	300,612	2,721,509
Interest income recognised during the year	153,680	–	153,680
Interest received	(23,400)	–	(23,400)
Change in fair value	–	458,208	458,208
At 31 December 2010	**2,551,177**	**758,820**	**3,309,997**

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

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

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

The fair value of the embedded derivatives at the end of the reporting period is based on valuation carried out by an independent valuer. The fair value is determined based on the Binomial model using assumptions, some of which are supported by observable market data, including dividend yield of 4.64% (2009: 8.02%), unit price of Champion REIT at HK$4.59 (2009: HK$3.30), risk-free rate of 0.83% (2009: 2.09%) in respect of the Bonds, and expected volatility of 39.75% (2009: 39.93%) with reference to Champion REIT's historical volatility of the past 2.5 years (2009: 3.5 years).

22. Notes receivable

	2010 HK$'000	2009 HK$'000
Unsecured bonds	**72,126**	269,980
Medium term notes	**157,740**	157,551
	229,866	427,531
Less: Amounts due within one year shown under current assets	**(55,819)**	(204,118)
Amounts due after one year	**174,047**	223,413

At 31 December 2010, the Group held unsecured bonds and medium term notes with principal amounts of HK$72,126,000 (2009: HK$269,980,000) and HK$157,740,000 (2009: HK$157,551,000), respectively, issued by reputable financial institutions.

The unsecured bonds are denominated in United States dollars and Australian dollars and carry annual fixed coupon interest rates ranging from 5.125% to 7.0% (2009: 4.125% to 7%) per annum or bank-bill reference rate in Australia plus certain spread with maturity dates ranging from January 2011 to August 2012 (2009: July 2010 to August 2017), while the medium term notes, which are denominated in Hong Kong dollars and United States dollars, carry interest at fixed rates ranging from 3% to 5.15% (2009: 3% to 5.15%) per annum in the first six to twelve months starting from the issue dates and at variable rates based on either 3-month LIBOR or 3-month HIBOR thereafter till the maturity dates in August 2012 (2009: ranging from August 2010 to 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 end of the reporting period and the balances are classified as non-current.

24. Restricted cash, bank balances and cash, unsecured bank overdrafts

Restricted cash

At 31 December 2009, an amount equivalent to HK$61,521,000 was placed in designated bank account pursuant to applicable loan facilities requirements as described in note 30. The restricted cash was released during the year ended 31 December 2010.

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 4.6% (2009: 0.0001% to 3.5%) per annum.

Unsecured bank overdrafts

Bank overdrafts bore interest at market rates which range from 5% to 9.9% per annum for the year ended 31 December 2009.

25. Inventories

	2010 **HK$'000**	2009 HK$'000
Completed properties held for sale	**42**	42
Raw materials	**5,311**	3,853
Trading goods	**6,858**	5,508
Provisions and beverages	**35,666**	31,827
Work-in-progress	**29,521**	24,544
	77,398	65,774

26.Debtors, deposits and prepayments

	2010 HK$'000	2009 HK$'000
Trade debtors, net of allowance for doubtful debts	**267,542**	225,706
Deferred rent receivables	**21,410**	20,153
Other receivables	**45,280**	37,768
Deposits and prepayments	**61,517**	56,138
	395,749	339,765

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

	2010 HK$'000	2009 HK$'000
0 - 3 months	**241,330**	220,820
3 - 6 months	**11,270**	4,086
Over 6 months	**14,942**	800
	267,542	225,706

Trade debtors as at 31 December 2010 and 2009 which are neither overdue nor impaired are in good quality. Included in the Group's trade debtors balance are debtors with a carrying amount of HK$26,212,000 (2009: HK$4,886,000) which are past due at the reporting date for which the Group has not provided any allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade debtors balance past due but not impaired

	2010 HK$'000	2009 HK$'000
3 - 6 months	**11,270**	4,086
Over 6 months	**14,942**	800
Total	**26,212**	4,886

26. Debtors, deposits and prepayments (continued)

Movement in the allowance for doubtful debts

	2010 HK$'000	2009 HK$'000
At 1 January	**61,728**	63,091
Amounts recovered	**–**	(1,363)
Increase in allowance recognised in profit or loss	**549**	–
At 31 December	**62,277**	61,728

The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors 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

	2010 HK$'000	2009 HK$'000
Held-for-trading listed securities in Hong Kong:		
– Champion REIT	**–**	120,296
Structured notes designated as at FVTPL	**77,740**	297,889
	77,740	418,185
Less: Amounts due within one year shown under current assets	**(77,740)**	(340,634)
Amounts due after one year	**–**	77,551

At 31 December 2010, the Group held a principal protected structured note with principal amount of US$10,000,000 (equivalent to HK$77,740,000) (2009: US$38,412,000 (equivalent to HK$297,889,000)) with a bank with maturity in September 2011 (2009: maturity ranging from 2010 to 2011). The structured note contains embedded derivatives with their interest components linked to foreign exchange rate movements which are not closely related to the host contracts. The entire structured notes have been designated as at financial assets at FVTPL on initial recognition.

The fair values of structured notes designated as at FVTPL at the end of the reporting periods are provided by counterparty banks and financial institution.

28. Creditors, deposits and accruals

	2010 HK$'000	2009 HK$'000
Trade creditors	**164,558**	150,826
Rental deposits	**198,411**	146,432
Construction fee payable and retention money payable	**3,263**	15,794
Accruals, interest payable and other payables	**389,127**	322,868
	755,359	635,920

The following is an aged analysis of trade creditors based on invoice date:

	2010 HK$'000	2009 HK$'000
0 - 3 months	**156,926**	145,207
3 - 6 months	**2,257**	43
Over 6 months	**5,375**	5,576
	164,558	150,826
Rental deposits		
– Due within one year	**178,973**	129,171
– Due more than one year	**19,438**	17,261
	198,411	146,432

29. Derivative financial instruments

	2010 HK$'000	2009 HK$'000
Foreign currency derivative contracts	362	591

The Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in Hong Kong (2009: the United Kingdom, Australia and New Zealand). The Group is required to sell or buy Euro against Hong Kong dollars (2009: Pound Sterling, Australian dollars and New Zealand dollars against United States dollars) at contracted rates under these derivative contracts. At the end of the reporting period, the unexpired notional amount of Euro 421,000 (equivalent to HK$4,367,000) of these outstanding derivatives contracts will fully expire by the end of year 2011 (2009: 2010).

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

30. Borrowings

	31.12.2010 HK$'000	31.12.2009 HK$'000 (restated)	1.1.2009 HK$'000 (restated)
Bills payable	–	–	7,563
Bank loans and revolving loans (secured)	2,469,881	3,439,513	3,277,092
Other non-current loans (secured)	1,019,641	1,077,200	1,148,396
	3,489,522	4,516,713	4,433,051
Loan front-end fee	(5,254)	(12,345)	(9,961)
	3,484,268	4,504,368	4,423,090
The maturity of the above loans based on scheduled repayment terms is as follows:			
On demand or within one year	798,318	247,040	1,668,963
More than one year but not exceeding two years	2,559,211	1,601,329	150,907
More than two years but not exceeding five years	126,739	2,655,999	2,603,220
	3,484,268	4,504,368	4,423,090
Less: Amounts due within one year shown under current liabilities (note)	(798,318)	(467,040)	(1,928,963)
Amounts due after one year	2,685,950	4,037,328	2,494,127

Note:
Amounts include a bank loan that contains repayment on demand clause of HK$220,000,000 (31.12.2009: HK$260,000,000; 1.1.2009: HK$295,000,000).

30. Borrowings (continued)

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

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Within one year	499,013	52,274	15,286
More than one year but not exceeding two years	–	497,656	51,201
More than two years but not exceeding three years	–	–	497,329
	499,013	549,930	563,816

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

	31.12.2010 HK$'000	31.12.2009 HK$'000	1.1.2009 HK$'000
Within one year	299,305	194,766	1,653,677
More than one year but not exceeding two years	2,559,211	1,103,673	99,706
More than two years but not exceeding three years	126,739	2,529,080	1,089,325
More than three years but not exceeding four years	–	126,919	889,731
More than four years but not exceeding five years	–	–	126,835
	2,985,255	3,954,438	3,859,274

30. Borrowings (continued)

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

	2010	2009
Effective interest rate:		
Fixed-rate borrowings	**4.91% to 6.09%**	4.91% to 12.50%
Variable-rate borrowings	**1.41% to 5.96%**	1.91% to 4.99%

During the year ended 31 December 2010, the Group extinguished a bank loan and an other loan entered in the USA with an aggregate carrying amount of HK$848,712,000 in exchange for payments below their stated value. The amount of HK$220,072,000, representing excess of aggregate carrying amount over the cash settlement is recognised as an income from discounted payoff of borrowings in the consolidated income statement.

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

31. Deferred taxation

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

	Investment properties and property, plant and equipment HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1 January 2009	1,124,956	(291,720)	(8,448)	824,788
Exchange differences	35,368	(18,559)	948	17,757
(Credit) charge to profit or loss for the year	(157,963)	(74,758)	23,017	(209,704)
At 31 December 2009	1,002,361	(385,037)	15,517	632,841
Exchange differences	9,392	(2,894)	43	6,541
Charge to profit or loss for the year	51,590	33,737	34,966	120,293
At 31 December 2010	**1,063,343**	**(354,194)**	**50,526**	**759,675**

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At the end of the reporting period, the Group has unutilised tax losses of HK$2,768,418,000 (2009: HK$2,943,490,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,384,322,000 (2009: HK$1,459,730,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,384,096,000 (2009: HK$1,483,760,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary difference of HK$684,737,000 (2009: HK$684,737,000) arising from impairment losses recognised in respect of hotel buildings. A deferred tax asset has been recognised in respect of HK$684,737,000 (2009: HK$577,547,000) of such deductible temporary difference. At 31 December 2009, no deferred tax asset has been recognised in respect of the remaining HK$107,190,000 due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries operating in the USA, Australia and Canada for which deferred tax liabilities have not been recognised was HK$882,515,000 (2009: HK$718,664,000). 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

		2010		2009	
		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	**621,827**	**310,913**	609,664	304,832
	Issued upon exercise of share options under the share option scheme	**870**	**435**	–	–
	Issued as scrip dividends	**113**	**56**	12,163	6,081
	Balance carried forward	**622,810**	**311,404**	621,827	310,913

During the year ended 31 December 2010, 112,859 (2009: 12,162,356) shares of HK$0.50 each in the Company were issued at HK$19.94 (2009: HK$12.87) per share as scrip dividends.

33. Share options

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

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

33.Share options (continued)

Further details of the 1999 Share Option Scheme

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

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

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

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

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

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

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

33. Share options (continued)

Further details of the 2009 Share Option Scheme

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

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

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

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

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

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

g. The subscription price shall be determined by the Board and notified to a participant and shall be at least the higher of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange), and (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant, and as subsequently adjusted pursuant to the terms of the 2009 Share Option Scheme, if relevant.

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

33. Share options (continued)

The following tables disclose details of the Company's share options held by employees, including directors, and movements in such holdings under the 1999 Share Option Scheme and 2009 Share Option Scheme during the year:

1999 Share Option Scheme

In 2010 Year of grant of options	Outstanding options at 1 January 2010	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2010
	Number of shares				
2005	898,000	–	(856,000)	(42,000)	–
2007	2,794,000	–	(14,000)	(47,000)	2,733,000
2009	2,900,000	–	–	(27,000)	2,873,000
	6,592,000	–	(870,000)	(116,000)	5,606,000
Exercisable at end of the year					2,733,000
Weighted average exercise price	HK$16.06	–	HK$18.28	HK$17.82	HK$15.68

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

33. Share options (continued)

2009 Share Option Scheme

In 2010 Year of grant of options	Outstanding options at 1 January 2010	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2010
	Number of shares				
2010	–	2,742,000	–	(39,000)	2,703,000
Exercisable at end of the year					–
Weighted average exercise price	–	HK$22.80	–	HK$22.80	HK$22.80

Details of the share options held by the Directors under the 1999 Share Option Scheme and the 2009 Share Option Scheme included in the above table are as follows:

1999 Share Option Scheme

In 2010 Year of grant of options	Outstanding options at 1 January 2010	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2010
	Number of shares				
2004 - 2009	3,291,000	–	(670,000)	–	2,621,000

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

33. Share options (continued)

2009 Share Option Scheme

In 2010 Year of grant of options	Number of shares: Outstanding options at 1 January 2010	Options granted	Options exercised	Options lapsed	Outstanding options at 31 December 2010
2010	–	1,170,000	–	–	1,170,000

The weighted average price of the shares on the date the options were exercised was HK$22.61 under the 1999 Share Option Scheme for the year ended 31 December 2010. No option had been exercised under the 1999 Share Option Scheme for the year ended 31 December 2009. No option had been exercised under the 2009 Share Option Scheme for the years ended 31 December 2009 and 2010.

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

Details of options granted under the 1999 Share Option Scheme and the 2009 Share Option Scheme in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share HK$
1999 Share Option Scheme			
2004	16.3.2004	17.3.2006 - 16.3.2009	13.55
2005	17.3.2005	18.3.2007 - 17.3.2010	18.21
2007	4.1.2007	5.1.2009 - 4.1.2012	22.35
2009	8.1.2009	9.1.2011 - 8.1.2014	9.34
2009 Share Option Scheme			
2010	4.3.2010	5.3.2012 - 4.3.2015	22.80

33. Share options (continued)

Notes:

(i) Consideration paid for each grant of 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 15 March 2004, 16 March 2005, 3 January 2007, 7 January 2009 and 3 March 2010 being the business date immediately before the date on which share options were granted, were HK$13.5, HK$18.05, HK$21.9, HK$9.45 and HK$23.00, respectively.

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

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

Date of grant:	4.3.2010	8.1.2009	4.1.2007	17.3.2005	16.3.2004
Exercise price:	HK$22.80	HK$9.34	HK$22.35	HK$18.21	HK$13.55
Expected volatility (note a):	48.98%	52.48%	41.76%	41.88%	46.49%
Expected dividend yield (note b):	2.46%	5.749%	1.4%	0.95%	0.96%
Expected life from grant date:	5 years	5 years	5 years	5 years	5 years
Risk free interest rate (note c):	1.65%	1.309%	3.82%	3.81%	2.52%
Fair value per option:	HK$8.51	HK$3.16	HK$7.79	HK$6.63	HK$5.43

Notes:

(a) The expected volatility was based on historical volatility.

(b) The expected dividend yield was based on historical dividends.

(c) Risk free interest rate was approximated the yield of 5-year Exchange Fund Note on the date of grant.

The group recognised the total expense of HK$13,332,000 for the year ended 31 December 2010 (2009: HK$4,176,000) in relation to share options granted by the Company.

All the 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 2010 amounting to HK$572,000 (2009: HK$1,333,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31 December 2010 charged to the consolidated income statement amounted to HK$42,443,000 (2009: HK$40,090,000). As at 31 December 2010, contributions of HK$254,000 (2009: HK$414,000) due in respect of the year had not been paid over to the schemes.

35. Major non-cash transactions

(a) During the year ended 31 December 2010, as explained in note 18 (b), the Group was able to exert significant influence over Champion REIT and reclassified available-for-sale investment of HK$9,290,443,000 (2009: nil) and held-for-trading investments of HK$136,335,000 (2009: nil) to the investment in an associate thereafter.

(b) During the year ended 31 December 2010, 112,859 (2009: 12,162,356) shares of HK$0.50 each in the Company were issued at HK$19.94 (2009: HK$12.87) per share as scrip dividends.

(c) During the year ended 31 December 2010, management service income of HK$181,042,000 (2009: HK$205,107,000) was earned as manager of Champion REIT in which HK$113,063,000 (2009: HK$205,107,000) is required to be settled in the form of units of Champion REIT. An amount of HK$59,311,000 (2009: HK$105,194,000) and HK$34,306,000 (2009: nil) were settled through receipt of units issued by Champion REIT and by cash, respectively. The remaining balance of HK$87,425,000 (2009: HK$99,913,000) and HK$33,673,000 (2009: nil) will be settled through receipt of units issued by Champion REIT and by cash, respectively, subsequent to the year end.

(d) During the year ended 31 December 2010, 37,160,820 (2009: 187,156,545) units of Champion REIT were received in lieu of cash in regards of the distributions for the year ended 31 December 2009 amounting to HK$129,632,000 (2009: HK$440,775,000) on initial recognition. The units were classified as available-for-sale investments and are held for long term purpose prior to July 2010 and reclassified to interests in associates thereafter (note 18(b)).

36. Pledge of assets

At 31 December 2010, 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$3,392,106,000 (2009: HK$2,936,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenue and all other income generated from the relevant property;

(b) the Group's freehold land, leasehold land and hotel buildings with a total carrying value of HK$6,084,116,000 (2009: HK$6,863,673,000); and

(c) the Group's leasehold land and owner occupied buildings in Hong Kong with a total carrying value of HK$138,836,000 (2009: HK$94,244,000).

37. Commitments and contingent liabilities

At 31 December 2010, 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$73,744,000 (2009: HK$308,947,000) of which HK$69,517,000 (2009: HK$308,947,000) was contracted for.

As at 31 December 2010, the Group has outstanding financial commitment in respect of capital injection to a jointly controlled entity of RMB180 million (equivalent to HK$211 million) and share of commitment of construction cost to completion of a hotel property owned by an associate of RMB233 million (equivalent to HK$275 million).

In addition to the above, the Group has provided several corporate guarantee and a charge over its interest in the share capital of an associate to a bank in respect of the Group's share of banking facility utilised by the associate of US$20 million (equivalent to HK$152 million).

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

38. Operating lease arrangements

The Group as lessor

Property rental income earned during the year was HK$264,975,000 (2009: HK$250,726,000). The properties held had committed leases mainly running for the next one to six years.

Contingent rental income was calculated based on the excess of certain percentage of revenue of the relevant operation that occupied certain of the properties over the fixed portion of the monthly rentals. Contingent rental income earned during the year ended 31 December 2010 is HK$567,000 (2009: nil).

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

	2010 **HK$'000**	2009 HK$'000
Within one year	**204,635**	193,368
In the second to fifth years inclusive	**326,755**	343,543
After five years	**69,331**	16,268
	600,721	553,179

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, if any.

The Group as lessee

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

	2010 **HK$'000**	2009 HK$'000
Within one year	**12,429**	46,631
In the second to fifth years inclusive	**13,639**	4,684
	26,068	51,315

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.

39. Related party transactions

The Group had the following significant related party transactions during the year, of which transactions with Champion REIT were disclosed from the date at which significant influence was achieved to the end of the reporting period. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties.

Related companies are companies in which Mr. Lo Hong Sui and Mr. Lo Kai Shui, shareholders and directors of the Company, have controlling interests.

	2010 HK$'000	2009 HK$'000
Transactions with associates for the year ended 31 December		
Interest received on investment in convertible bonds	10,316	–
Licence fee and hotel management fee income	142	–
Management service income	72,078	–
Marketing service income	13,407	–
Property management service income	20,534	–
Repairs and maintenance income	1,488	–
Supply procurement and consultancy services income	1,886	–
Rental charges	20,790	–
Building management fee expense	2,216	–
Transactions with a jointly controlled entity for the year ended 31 December		
Project advisory income	17,106	–
Investment management income	10,122	–
Transactions with related companies for the year ended 31 December		
Trading income	482	1,705
Rental income	4,380	4,371
Management fee received	1,863	1,395
Rental charges	600	600
Procurement expense	1,881	–
Balances with associates and related companies as at 31 December		
Amounts due from associates (see note 23)	12,077	12,077
Amounts due from associates (note) (included in trade debtors under debtors, deposits and prepayments)	110,413	–
Amounts due from related companies (note) (included in debtors, deposits and prepayments)	462	768
Amounts due to related companies (note) (included in creditors, deposits and accruals)	854	824

Note: The amounts are unsecured, interest-free and repayable on demand.

39. Related party transactions (continued)

On 19 August 2010, the Group completed an acquisition of one-third of the entire issued share capital of MGIL, a wholly owned subsidiary of Shui On, at a consideration of approximately US$24,118,000 (equivalent to approximately HK$188,120,000) pursuant to a sale and purchase agreement entered into on 1 April 2010 among an indirectly wholly owned subsidiary of the Company, the chairman and managing director of the Group and Shui On, a related company in which a director, who is also a shareholder, of the Company has controlling interest. MGIL indirectly holds a hotel under development in the Luwan District, Shanghai. Details of the sales and purchase agreement were disclosed in an announcement issued on 1 April 2010 and a circular dated 21 April 2010 pursuant to the Listing Rules.

In addition to the above transactions and balances at the end of reporting period, and as announced by the Company on 23 February 2009, The Great Eagle Company, Limited, a wholly owned subsidiary, and Sun Fook Kong Holdings Limited ("SFK"), a related company in which some shareholders and directors of the Company have beneficial interests, entered into a supplemental agreement ("Supplemental Agreement") pursuant to which, among other things, that the final contract sum for the main contract made as of 12 November 2001 between Renaissance City Development Company Limited, a former wholly owned subsidiary of the Company, and SFK for the composite development project in Mongkok (now known as "Langham Place") had been agreed at approximately HK$3,302 million. The Supplemental Agreement was approved by shareholders of the Company on 19 April 2009 and construction fee payable, retention money payable and accrued interest as from 1 January 2009 up to the date of payment at the rate of 3% per annum of HK$217,974,000 in aggregate were settled to SFK for the year ended 31 December 2009. Upon finalisation of the final contract sum, a release of provision of construction fee payable amounting to HK$105,256,000 was credited to and disclosed as other income in the consolidated income statement for the year ended 31 December 2009.

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.

40. Particulars of the principal subsidiaries

Details of the Company's principal subsidiaries at 31 December 2010 and 2009 are set out below:

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

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

40. 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 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%
Moon Yik Company, Limited	10,000,000 shares of HK$1 each	Property investment	100%
Selex Properties Management Company, Limited	2 shares of HK$1 each	Property management	100%
Sharp Bloom Limited	1 share of HK$1	Treasury management	100%
Strong Dynamic Limited	2 shares of HK$1 each	Fitness centre operation	100%
The Great Eagle Company, Limited	2,000,000 shares of HK$0.5 each	Investment holding	100%
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%

40. Particulars of the principal subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong: (continued)			
The Great Eagle Insurance Agency Limited	1,000 shares of HK$1 each	Insurance agency	100%
The Great Eagle Properties Management Company, Limited	1,800,000 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%
– incorporated in the British Virgin Islands:			
Fine Noble Limited	1 share of US$1	Treasury management	100%
Bright Form Investments Limited	1 share of US$1	Investment holding of convertible bonds	100%
Keen Flow Investments Limited	1 share of US$1	Investment holding of Champion REIT units	100%
Main Treasure Holdings Limited*	1 share of US$1	Provision of investment management services	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%

40. 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 Australia:			
Katesbridge Group Limited	1 share of US$1	Investment holding	100%
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%
– incorporated in the British Virgin Islands and operating in New Zealand:			
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Property investment	100%
– incorporated and operating in New Zealand:			
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%
– incorporated and operating in USA:			
EIH Properties Company – XX, LLC	US$1,000	Property investment	100%
Pacific Chicago LLC*	US$8,000,000	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 commenced their business during the year ended 31 December 2010.

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 2010 and 2009 or at any time during both years.

41. Particulars of the associates

Details of the Group's associates at 31 December 2010 and 2009 are set out below:

Indirect associates	Issued and paid up equity share capital/units	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%
Magic Garden Investments Limited*	3 shares of US$1 each	Investment holding of subsidiaries which are engaged in hotel development and operation	33.33%
– a trust constituted by the Trust Deed, regulated by, inter alia, the REIT Code and listed on the Stock Exchange:			
Champion REIT*	2,536,014,605 units	Property investment	51.43%
– incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong:			
Recruit Holdings Limited	310,566,000 shares of HK$0.2 each	Investment holding of subsidiaries which are engaged in printing and publishing	20.15%

* Champion REIT became an associate of the Group and Magic Garden Investments Limited was newly acquired during the year ended 31 December 2010 as disclosed in note 18.

42. Particulars of a jointly controlled entity

Details of the Group's jointly controlled entity at 31 December 2010 are set out below:

Indirect jointly controlled entity	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:			
Wealth Joy Holdings Limited	2 shares of US$1 each	Investment holding of subsidiaries which are engaged in property development	50%

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	6,000	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 Smart, Hong Kong 380 Nathan Road, Kowloon, Hong Kong	Hotel/Commercial	312,000	100%
The Langham, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	364,000	100%
Langham Place, Mongkok, Hong Kong 555 Shanghai Street, Mongkok Kowloon, Hong Kong	Hotel	508,000	100%
The Langham, Xintiandi, Shanghai 99 Madang Road, Lot No. 108 Luwan District, Shanghai, PRC	Hotel	560,000	33.33%
On Freehold Land			
The Langham, London 1 and 1B Portland Place, Regent Street, London, W1N 4JA, United Kingdom	Hotel/Commercial	390,000	100%
Delta Chelsea Hotel, Toronto 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%

Properties held for long-term investment (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
On Freehold Land (continued)			
The Langham, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
The Langham, Auckland 83 Symonds Street, Auckland 1, New Zealand	Hotel/Commercial	309,000	100%
Pacific Ygnacio Plaza 500 Ygnacio Valley Road, Walnut Creek, CA 94596, USA	Office	121,000	100%
2700 Ygnacio Valley Road 2700 Ygnacio Valley Road, Walnut Creek, Contra Costa County, CA 94598 USA	Office	106,000	100%
The Langham, 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, Pasadena, Los Angeles 1401 South Oak Knoll Avenue Pasadena California 91106 USA	Hotel/Commercial	489,000	100%
The Langham, Chicago 330 North Wabash, Chicago, Illinois, USA	Hotel	342,000	100%

Property under development

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
On Land Under Medium-term Lease			
Lot C04, Donggang area, Renmin Road East, Zhongshan District, Dalian, PRC*	Hotel/Apartments	3,079,000	50%

* As at the date of this annual report, the excavation works were in progress. The project is being developed in two phases which are expected to be completed in 2013 and 2016 respectively.

Appendix II – Five Years' Financial Summary

For the year ended 31 December

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010 HK$'000**
RESULTS					
Revenue	3,772,253	4,182,039	4,750,433	3,958,366	**4,694,155**
Profit (loss) before tax	602,198	4,891,266	(109,177)	1,040,755	**4,414,681**
Income taxes	(194,674)	(992,988)	180,847	141,911	**(235,468)**
Profit for the year	407,524	3,898,278	71,670	1,182,666	**4,179,213**
Attributable to:					
Owners of the Company	405,506	3,898,273	71,670	1,182,666	**4,179,213**
Non-controlling interests	2,018	5	–	–	**–**
	407,524	3,898,278	71,670	1,182,666	**4,179,213**
Earnings per share					
Basic	HK$0.68	HK$6.47	HK$0.12	HK$1.92	**HK$6.71**
Diluted	HK$0.68	HK$6.46	HK$0.12	HK$1.92	**HK$6.69**
ASSETS AND LIABILITIES					
Total assets	33,198,754	38,269,946	24,403,020	28,166,300	**33,851,722**
Total liabilities	(13,149,819)	(13,188,568)	(6,428,302)	(5,849,196)	**(5,087,365)**
	20,048,935	25,081,378	17,974,718	22,317,104	**28,764,357**
Equity attributable to owners of the Company	20,048,647	25,081,378	17,974,718	22,317,104	**28,764,357**
Non-controlling interests	288	–	–	–	**–**
	20,048,935	25,081,378	17,974,718	22,317,104	**28,764,357**

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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)

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