

# HERITAGE AND OPPORTUNITY

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Interim Report 中期報告 2012



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, Australasia, North America and Europe.

The Group's principal holdings include a 51.85% interest (as at 30 June 2012) 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 fifteen luxury properties with over 6,000 rooms, including eleven luxury hotels branded under The Langham and Langham Place brands in the gateway cities of Hong Kong, Shanghai, Beijing, London, Boston, Los Angeles, Sydney, Melbourne and Auckland; three Eaton Hotels in Hong Kong, Shanghai and New Delhi; 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.

The Group had a core profit after tax of approximately HK\$1,687 million in the financial year 2011 and a net asset value of approximately HK\$34 billion as of 31 December 2011.

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# CORPORATE INFORMATION

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## 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 #

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

Mayer Brown 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

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Wanchai, Hong Kong

Tel: (852) 2827 3668

Fax: (852) 2827 5799

## Principal Share Registrar

Butterfield Fulcrum Group (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

## Branch Share Registrar in Hong Kong

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

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183 Queen's Road East

Wanchai, Hong Kong

Email: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

## Website

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

## Stock Code

41

# DIVIDEND NOTICE AND KEY DATES

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## Interim Dividend

The Board of Directors of the Company has resolved to declare an interim dividend of HK23 cents (2011: HK21 cents) per share for the six months ended 30 June 2012, payable on 16 October 2012 to Shareholders whose names appear on the Registers of Members of the Company on Monday, 8 October 2012.

## Closure of Registers of Members

The Registers of Members of the Company will be closed from Wednesday, 3 October 2012 to Monday, 8 October 2012, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar 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 Friday, 28 September 2012.

## Key Dates

2012 Interim Results Announcement

**17 August 2012**

Closure of Registers of Members

**3 October 2012 – 8 October 2012**  
(both days inclusive)

Record Date for 2012 Interim Dividend

**8 October 2012**

Payment of 2012 Interim Dividend of HK23 cents per share

**16 October 2012**

# FINANCIAL HIGHLIGHTS

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## Six months ended 30 June

Key Financial Figures	2012 HK\$ million	2011 HK\$ million	Change
Revenue	2,354.2	2,230.3	5.6%
Statutory profit attributable to equity holders	1,329.7	2,770.6	-52.0%
Core profit after tax attributable to equity holders	835.0	752.3	11.0%
Profit per share from core business after tax	HK\$1.32	HK\$1.19	10.9%
Interim dividend per share	HK\$0.23	HK\$0.21	

## As at the end of

	June 2012	December 2011
Net gearing	2%	3%
Book value (per share)	HK\$55.0	HK\$53.4

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Six months ended 30 June

	2012 HK\$ million	2011 HK\$ million	Change
<b>Core Profit</b>			
Net rental income	98.0	87.7	11.8%
Hotel income	442.2	425.1	4.0%
Management fee income from Champion REIT	134.0	126.6	5.8%
Dividend income from Champion REIT <sup>^</sup>	299.4	267.0	12.1%
Income from other operations	55.2	49.0	12.8%
<b>Net Operating Income</b>	<b>1,028.8</b>	<b>955.4</b>	<b>7.7%</b>
Depreciation and amortisation	(54.3)	(53.1)	2.4%
Administration expenses	(105.3)	(111.9)	-5.9%
Other income (including interest income)	95.2	87.0	9.5%
Finance costs	(50.8)	(50.0)	1.7%
Share of results of associates	11.6	7.2	61.6%
Share of results of a JCE	(5.1)	(4.2)	23.0%
<b>Core Profit Before Taxation</b>	<b>920.1</b>	<b>830.4</b>	<b>10.8%</b>
Taxes	(84.8)	(78.1)	8.5%
<b>Core Profit After Tax</b>	<b>835.3</b>	<b>752.3</b>	<b>11.0%</b>
<b>Non-controlling Interest*</b>	<b>(0.3)</b>	<b>-</b>	<b>n.a.</b>
<b>Core Profit After Tax Attributable to Equity Holders</b>	<b>835.0</b>	<b>752.3</b>	<b>11.0%</b>

<sup>^</sup> Under the Group's statutory profit, the share of results of Champion REIT is reflected below the operating items under "Share of results from associates". However, the Group's core profit is based on attributable dividend income from Champion REIT in respect of the same financial period.

\* The inclusion of Non-controlling interest from 2012 is due to the implementation of a Management Shareholding Scheme by one of our subsidiary companies.

Six months ended 30 June

	2012 HK\$ million	2011 HK\$ million	Change
<b>Statutory Profit</b>			
Net rental income	98.0	87.7	11.8%
Hotel income	442.2	425.1	4.0%
Management fee income from Champion REIT	134.0	126.6	5.8%
Income from other operations	55.2	49.0	12.8%
<b>Operating Income</b>	<b>729.4</b>	<b>688.4</b>	<b>6.0%</b>
Depreciation and amortisation	(172.0)	(172.3)	-0.2%
Fair value changes on investment properties	228.6	599.8	-61.9%
Fair value changes on derivative financial instruments	41.8	(169.8)	-124.6%
Fair value changes on other financial assets	–	(1.6)	n.a.
Administration expenses	(105.3)	(111.9)	-5.9%
Other income (including interest income)	108.0	98.4	9.8%
Finance costs	(50.8)	(50.0)	1.7%
Share of results of associates	668.4	2,005.9	-66.7%
Share of results of a JCE	(5.1)	(4.2)	23.0%
<b>Statutory Profit Before Taxation</b>	<b>1,443.0</b>	<b>2,882.7</b>	<b>-49.9%</b>
Taxes	(113.0)	(112.1)	0.9%
<b>Statutory Profit After Tax</b>	<b>1,330.0</b>	<b>2,770.6</b>	<b>-52.0%</b>
<b>Non-controlling Interest</b>	<b>(0.3)</b>	<b>–</b>	<b>n.a.</b>
<b>Statutory Profit Attributable to Equity Holders</b>	<b>1,329.7</b>	<b>2,770.6</b>	<b>-52.0%</b>

## Overview

The Group delivered improved results for the first half of 2012, despite ongoing uncertainties in the global economies arising from the Euro-zone debt crisis. On a core income basis, total revenue came to HK\$2,653.6 million for the first six months of 2012, an increase of HK\$156.3 million from HK\$2,497.3 million in the first half of 2011. The increase came mainly from higher revenue at the Hotels Division,

which rose by HK\$81.3 million in the first half, followed by Champion REIT, the contribution of which increased by HK\$39.7 million.

Gross revenue of the hotels in Hong Kong witnessed a 13% growth from HK\$677.3 million in the first half of 2011 to HK\$763.1 million in the first half of 2012. Gross revenue for the overseas hotels as a whole was almost unchanged at HK\$1,114.9 million for the first six months of 2012, as compared to HK\$1,113.2 million



in the first half of 2011. Distribution income from Champion REIT increased by 12% from HK\$267.0 million in the first half of 2011 to HK\$299.4 million in the first half of 2012 while management fee income from Champion REIT also increased from HK\$126.6 million to HK\$134.0 million. Gross rental income of our investment properties increased by HK\$8.0 million to HK\$137.9 million in the first half of 2012.

The Group's operating income came to HK\$1,028.8 million in the first half of 2012, an increase of 7.7% over that achieved for the first half of 2011. Due to the strong performance of the Hong Kong hotels, Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) at the Hotels Division increased by HK\$17.1 million from HK\$425.1 million in the first half of 2011 to HK\$442.2 million in the first half of 2012. Total income from Champion REIT rose by HK\$39.8 million from HK\$393.6 million in the first half of 2011 to HK\$433.4 million in the first half of 2012. Net rental income from our investment properties increased by HK\$10.4 million to HK\$98.0 million in the first half of 2012.

With higher interest income and lower corporate expenses, core profit attributable to equity holders of the Group came to HK\$835.0 million, an increase of HK\$82.7 million or 11%, over the HK\$752.3 million achieved in the corresponding period in 2011.

During the first half period, we have continued to seek value-added hotel acquisitions in line with our core strategy to build the Langham brand in major gateway cities around the world. We have recently completed the acquisition of the 96-key former Observatory Hotel in downtown Sydney for conversion into a Langham. We have acquired this prime asset at below replacement cost.

We have also entered into a non-legally binding letter of intent for the possible acquisition of a hotel with approximately 200 rooms in Manhattan, New York. We are at the stage of due diligence and further negotiation. The acquisition may or may not proceed.

## Hotels Division

### Six months ended 30 June

<b>Hotel Revenue</b>	<b>2012</b> HK\$ million	<b>2011</b> HK\$ million	<b>Change</b>
Hong Kong	763.1	677.3	+12.7%
Europe	237.1	247.7	-4.3%
North America	545.0	546.4	-0.3%
Australia/New Zealand	332.8	319.0	+4.3%
Others	27.6	33.8	-18.3%
	<b>1,905.6</b>	<b>1,824.2</b>	<b>+4.5%</b>
<b>Hotel EBITDA</b>	<b>HK\$ million</b>	<b>HK\$ million</b>	<b>Change</b>
Hong Kong	282.0	243.2	+16.0%
Europe	50.6	68.5	-26.1%
North America	39.6	38.0	+4.2%
Australia/New Zealand	59.7	56.3	+6.0%
Others	10.3	19.1	-46.1%
	<b>442.2</b>	<b>425.1</b>	<b>+4.0%</b>

Revenue and EBITDA of the Hotels Division managed to grow in the first half of 2012, although the pace was evidently much slower than that of the previous year. The growth was driven largely by the hotels in Hong Kong, which benefited from continued growth in tourist arrivals from China. All three properties reported double-digit year-on-year increases in revenue in the first half of 2012. For our overseas hotels, the hotel in Pasadena turned a profit upon successful execution of a plan to increase its share in the MICE market. For the rest of

the overseas portfolio, the Australia and New Zealand hotels held up reasonably well but the performance at the London hotel was adversely affected by the troubles in the Euro-zone.

Overall, revenue of the Hotels Division increased by 4.5% from HK\$1,824.2 million in the first half of 2011 to HK\$1,905.6 million in the first half of 2012. EBITDA from the Hotels Division rose 4% from HK\$425.1 million in the first half of 2011 to HK\$442.2 million in the first half of 2012.

## Hotels Performance

	Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011	1H 2012	1H 2011
The Langham, Hong Kong	495	495	81.6%	76.4%	2,221	2,088	1,811	1,595
Langham Place, Hong Kong	654	649	85.8%	82.6%	1,850	1,720	1,587	1,421
Eaton Smart, Hong Kong	461	459	92.5%	82.4%	1,141	1,006	1,055	829
The Langham, London	378	377	71.3%	74.0%	264	273	189	202
The Langham, Melbourne	376	381	78.9%	78.5%	262	266	207	209
The Langham, Auckland	411	411	69.4%	69.2%	186	185	129	128
The Langham, Boston	318	318	64.3%	66.2%	239	225	154	149
The Langham Huntington, Pasadena	380	380	74.6%	62.7%	210	214	157	134
Delta Chelsea Toronto	1,590	1,590	67.4%	70.1%	120	125	81	88
The Langham, Xintiandi, Shanghai (33.3% owned)	347	190	52.3%	47.6%	1,597	1,587	835	755

## *Hong Kong*

The three Hong Kong hotels generated HK\$763.1 million in revenue over the first half of 2012 (1H 2011: HK\$677.3 million), which led to a 16% growth in EBITDA to HK\$282.0 million in the first half of 2012 (1H 2011: HK\$243.2 million). The Hong Kong hotels accounted for 40% of the revenue and 63.8% of EBITDA of the whole hotel portfolio in the first half.

### **The Langham, Hong Kong**

Langham Hong Kong enjoyed continued growth in individual leisure tourist arrivals from Mainland China and other Asia-Pacific regions in the first half, which more than offset the slow-down in corporate travel from European and USA. As a result, occupancy increased by 5.2% points in the first half of 2012 to 81.6% (1H 2011: 76.4%) while average room rates increased 6.4% year-on-year to HK\$2,221 (1H 2011: HK\$2,088). Total revenue for the first half rose 12% year-on-year. There were however signs of a slow-down in revenue growth from the second quarter onwards amidst increasing uncertainties in the world economies.

Revenue from food and beverage rose 11% year-on-year in the first half, the growth was mainly driven by the improved banquet business, especially from wedding functions in the refurbished Ballroom.

### **Langham Place, Hong Kong**

For the six months ended June 2012, the Hotel achieved a higher average occupancy of 85.8% (1H 2011: 82.6%) due to increased corporate and leisure travellers from China and North America. As a result it managed to raise its average room rate by 7.6% year-on-year in the first half to HK\$1,850 (1H 2011 HK\$1,720). Similar to the experience at Langham Hong Kong, this Hotel also witnessed softened demand from the second quarter onwards.

Revenue from food and beverage for the first half rose 7% compared with the first half of 2011. The increase was supported by the steady banquet business from corporate meetings and events.

## **Eaton Smart, Hong Kong**

In addition to increased demand for mid-priced rooms, the Hotel's successful marketing focus on China and other Southeast Asian countries resulted in a 18% year-on-year surge in total revenue in the first half of 2012. Average occupancy rose 10.1 percentage points to 92.5% in the first half of 2012 (1H 2011 82.4%). That in turn led to a 13.4% increase in average room rate from HK\$1,006 in the first half of 2011 to HK\$1,141 in the first half of 2012. The renovation of one-fifth of the guest rooms commenced in June 2012. Upon completion at the end of September 2012, the new rooms will help to increase the competitiveness of the Hotel, and they should underpin further growth in its market share.

Revenue from food and beverage rose 9% year-on-year in the first half, mainly from improved business at the restaurants, which offset a shortfall in catering functions and events.

## *Overseas Hotels*

### *Europe*

#### **The Langham, London**

Performance of the London hotel was fairly stable in the first quarter of 2012, but demand for rooms began trending downward in the second quarter. In addition to increasing economic uncertainties in the European region, fears over transport issues and accommodation pricing in the build-up to the Olympics also contributed to a decline in business visitors. In particular, the absence of substantial Middle East business to London this spring impacted room revenue. EBITDA for the London hotel dropped 26.1% year-on-year in the first half of 2012. Occupancy came to 71.3% in the first half of 2012 (1H 2011: 74%), while average room rate was £264 in the first half of 2012 (1H 2011: £273).

On the other hand, revenue from food and beverage rose 5% year-on-year in the first half, given improved business at the restaurants and a strong banquet business with increased corporate meetings and events.

## *Australia/New Zealand*

### **The Langham, Melbourne**

As demand from corporate travellers decelerated with the onset of the global financial crisis, the Hotel switched its focus to lower yielding leisure travellers. As a result it managed to maintain occupancy for the first half of 2012 at 78.9% as compared to 78.5% for the same period the prior year. There was however a slight drop in average room rates from A\$266 to A\$262.

Revenue from food and beverage rose 9% year-on-year during the first half, on the back of stronger catering demand from corporate meetings and events, as well as better performance of the restaurants.

The third phase of the room renovation comprising 102 rooms commenced in the second quarter of 2012. When completed, they will enable the Hotel to offer an up-to-date product to compete for market share.

### **The Langham, Auckland**

While demand from the corporate segment was weak, the Hotel managed to keep up its occupancy by targeting the retail segment. Average occupancy was 69.4% in the first half of 2012 (1H 2011: 69.2%), while the average room rates were marginally higher at NZ\$186 in the first half of 2012 (1H 2011: NZ\$185).

Revenue from food and beverage rose 11% year-on-year in the first half, and was driven by higher revenue at the newly renovated restaurant, and improved catering demand through large corporate events.

## *North America*

EBITDA contribution from the three North America hotels was stable at HK\$39.6 million, as higher income at Langham Pasadena offset lower contributions from the Boston and Toronto hotels.

### **The Langham, Boston**

After a slow start to the year, the market in Boston picked up moderately in the second quarter because of several citywide conventions and the improved leisure business. Average occupancy for the first half of 2012 was down to 64.3% from 66.2% for the same period the prior year. There was however a growth in average room rates to US\$239 in the first half of 2012, as compared to US\$225 in the first half of 2011.

Revenue from food and beverage dropped 7% year-on-year in the first half, due to a slower pickup in the banquet segment and keen competition in the restaurant business. Net operating income for the first six months of 2012 was down 10.2% from that in the first half of 2011.

The renovation of the lobby and the addition of the lobby lounge is scheduled for completion in the third quarter of 2012.

### **The Langham Huntington, Pasadena**

The Langham in Pasadena benefitted from the steady recovery in the Los Angeles hotel market. It was able to significantly improve its occupancy by focusing on meeting and events business. In the first half of 2012, occupancy increased by 11.9 percentage points to 74.6% (1H 2011: 62.7%). Food and beverage revenue also rose by 17% year-on-year. However, as the Hotel accommodated more demand from the MICE markets, there was a slight dilution in average room rates, which declined to US\$210 in the first half of 2012 from US\$214 in the first half of 2011. With a year-on-year RevPAR increase of 16.6%, the Hotel turned EBITDA positive in the first half of 2012.

### **Delta Chelsea Hotel, Toronto**

Room rates at the Hotel were under pressure on the lack of citywide conventions in the city. As the Hotel took on more lower-yielding corporate and leisure business, average room rates dropped to C\$120 in the first half of 2012, as compared with C\$125 in the first half of 2011. Occupancy was also lower at 67.4% (1H 2011: 70.1%). Revenue from food and beverage dropped 5% year-on-year in the first half, due to reduced demand for catering, as well as lowered demand for room service.

## China

### The Langham Xintiandi, Shanghai

*(33.3% owned and share of its results is captured under share of associates)*

The Hotel became fully operational with 358 rooms available from January 2012. Given the increase in room inventory, the Hotel managed to increase total revenue by 87% year-on-year in the first half of 2012. However, due to the economic slowdown in China coupled with keen competition from the abundant supply of hotels in Shanghai, occupancy edged up to 52.3% on an average inventory of 347 rooms in the first half of 2012 (1H 2011: 47.6% on an average of 190 rooms). Average room rates achieved for the Hotel were flat at ¥1,597 in the first half of 2012 (1H 2011: ¥1,587).

## Project under Redevelopment

### The Langham, Chicago

We acquired this redevelopment project in downtown Chicago at the end of 2010. The property, which comprises the lower 13 floors and part of the basement of an existing commercial building, is being converted into a 330-key Langham Hotel.

Full-scale construction has commenced in the first quarter of 2012 with completion scheduled for third quarter of 2013.

## Asset Acquisition

On 8 August 2012, we completed the acquisition of a 96-room hotel in downtown Sydney. The Hotel is situated within Sydney's highly visible historic Rocks district, which is in close proximity to Sydney's Central Business District, the world-famous Sydney Harbour Bridge and Opera House. The Sydney hotel will be rebranded to a Langham. This acquisition will enable the Group to further strengthen its presence in the Pacific region, thus creating a platform for future growth.

This acquisition reaffirms our ongoing efforts to invest in high quality properties in key cities to enhance our

position as a key player in the global luxury hospitality industry.

We have also entered into a non-legally binding letter of intent with an independent third party for the possible acquisition of a hotel with approximately 200 rooms in Manhattan, New York. We are at the stage of due diligence and further negotiation. That acquisition may or may not proceed. Disclosure in compliance with the Listing Rules will be made in due course if and when the acquisition materializes.

## Hotel Management Business

Our hotel management portfolio currently comprised of six hotels with approximately 1,200 rooms in operations. During the first half of 2012, another four hotel contracts were added to the pipeline of hotels under management. All of these hotels are located in China, including a 320-room Langham Hotel in Xiamen, two Langham Place Hotels in Datong and Qingdao with 300 and 280 rooms respectively, and one Eaton Luxe Hotel in Qingdao with 500 rooms. Except for a 33.3% stake in the Langham Xintiandi, the Group has no equity stakes in these hotels.

## Development Project

### *Dalian mixed-use development project*

The project comprises approximately 1,200 high-end apartments and a luxury international hotel with approximately 350 rooms, aggregating to a gross floor area of approximately 286,000 sq. metres. The project is targeted for completion in two phases from 2014/15 onward. The Group has a 50% equity interest in this project and acts as the project manager. Up to the end of June 2012, the Group has invested HK\$633 million for its stake in the project.

After the completion of excavation and foundation works, construction of the first phase commenced in February 2012. While restrictions on residential home purchases remaining in place in China, there are signs that while the central government is maintaining in its efforts to curb housing speculation, it is slowly fine-tuning measures that will eventually support end user demand.

## Income from Champion REIT

For the Group's statutory profit, after the reclassification of our investment in Champion REIT to associate company, instead of recognising distribution income from Champion REIT in the Group's revenue and operating profit, the share of results from Champion REIT is reflected below the operating items under the share of results from associates. However, we still consider dividend income to be a more meaningful measure of financial return from our investment in Champion REIT. Hence our core profit will be based

on attributable dividend income from Champion REIT in respect of the same financial period as our reporting financial period. On that basis, total income from Champion REIT in the first half rose by 10.1% year-on-year to HK\$433.4 million. With higher asset management income achieved by Champion REIT, this has offset a slightly lower level of agency commission income in the first half of 2012, and overall management fee income from Champion REIT rose 5.8% from HK\$126.6 million in the first half of 2011 to HK\$134 million in the first half of 2012.

### Six months ended 30 June

	2012 HK\$ million	2011 HK\$ million	Change
Attributable dividend income	299.4	267.0	12.1%
Management fee income	134.0	126.6	5.8%
<b>Total income from Champion REIT</b>	<b>433.4</b>	<b>393.6</b>	<b>10.1%</b>

The following are excerpts from Champion REIT's 2012 interim results announcement relating to the performance of the Champion REIT's properties.

### Citibank Plaza

The office leasing market in Central has remained soft in the first half of 2012. Occupancy at Citibank Plaza decreased from 90.4% at the beginning of the year to 88.7% as of 30 June 2012, partly due to the relocation of some government departments to the new Government Headquarters. Spot rents at Citibank Plaza are currently priced around HK\$85 per sq. ft. to support occupancy. Revenue increased from HK\$570 million for the first half of 2011 to HK\$597 million for the first half of 2012. This was largely driven by the increase in average occupancy, which increased from 86.6% to 88.5% for the first half of 2012. Net Property Income at Citibank Plaza increased 7.7% year-on-year to HK\$499 million in the first half of 2012.

### Langham Place Office Tower

The occupancy rate increased from 96.8% as of 31 December 2011 to 98.0% at mid-year 2012. The resilience of the economy outside of the financial sector

has sustained demand for office space across all office districts on the Kowloon Peninsula. Spot rents at the Langham Place Office Tower have been kept steady at the HK\$32-38 per sq. ft. range, though recent transactions have been done closer to the upper end of that range. Revenue at the Office Tower was HK\$129 million in the first of 2012, compared to HK\$126 million for the corresponding period in 2011. Operating expenses were stable at HK\$25 million and Net Property Income grew in line with revenue, from HK\$101 million to HK\$104 million.

### Langham Place Mall

The Mall continued to enjoy very high levels of foot traffic and remained virtually fully let at mid-year 2012. Driven by a constantly improving mix of quality retailers, average sales per sq. ft. for tenants at the Mall for the first half grew 16.4% year-on-year.

The average Passing Rent Rate increased from HK\$100.77 at the end of 2011 to HK\$102.65 per sq. ft. as of June 2012. In June 2011, the passing rent rate was HK\$98.48 per sq. ft. Revenue increased by 12.2% from HK\$254 million to HK\$285 million. Net Property Income as a result increased by 13.2% from HK\$200 million to HK\$227 million.

## Investment Properties

	Six months ended 30 June		
	2012 HK\$ million	2011 HK\$ million	Change
<b>Gross rental income</b>			
Great Eagle Centre	60.4	53.9	12.0%
Eaton Serviced Apartments	21.2	19.0	11.6%
United States Properties	55.1	55.9	-1.5%
Others	1.2	1.0	16.5%
	137.9	129.8	6.2%
<b>Net rental income</b>			
Great Eagle Centre	58.6	53.2	10.2%
Eaton Serviced Apartments	14.7	12.8	15.1%
United States Properties	23.7	20.9	13.4%
Others	1.0	0.8	25.0%
	98.0	87.7	11.7%

### Great Eagle Centre

The office market in the Wanchai North district displayed considerable resilience in the first half of 2012, due to its popularity with Mainland Chinese companies and migration of Central tenants seeking more affordable rents. Rents achieved at Great Eagle Centre continued to move above HK\$60's in many cases in the first half of 2012. The rolling over of approximately 35% of the leases by floor area during the first half led to a 12.9% increase in average passing rent. Average passing rent at the Great Eagle Centre went from HK\$48.9 per sq. ft. at the end of December 2011 to HK\$55.2 per sq. ft. as of the end of June 2012.

Though occupancy for the office portion was decreased slightly to 94.5% as at the end of June 2012, from 96.8% as at the end of December 2011, the majority of the vacant spaces have since been

taken up. Occupancy for the retail portion remained stable at 99.4% as of the end of June 2012.

Gross rental income for Great Eagle Centre increased 12% from HK\$53.9 million in the first half 2011 to HK\$60.4 million in the first half of 2012, while net rental income rose 10.2% from HK\$53.2 million in the first half 2011 to HK\$58.6 million in the first half of 2012.

### Eaton Serviced Apartments

The current economic uncertainties did not have a significant impact on our serviced apartments in the half year period, as some multinational firms were still transferring employees to Hong Kong. However, with the tightening in accommodation allowances, demand was mainly focused on smaller sized units. Demand for our larger sized units at the Blue Pool Road property was slightly affected while our two properties while the smaller sized rooms at Village Road and Wanchai Gap

Road saw an increase in demand. Overall occupancy at the three serviced apartments increased from 70.2% in the first half of 2011 to 75.6% in 2012. However achieved rental rates were constrained by a competitive environment and rose only 4.1% from HK\$41.2 per sq. ft in the first half of 2011 to HK\$42.9 per sq. ft in the first half of 2012. Gross rental income increased 11.6% year-on-year to HK\$21.2 million in the first half of 2012, whereas net rental income increased 15.1% to HK\$14.7 million.

## United States Properties

The expansion of the technology sector in California accelerated in the first half of 2012. As a result, vacancy rates in the San Francisco area declined further, which has led to an upward trend in asking rental rates in the area since late 2011. Even though spot rents at 353 Sacramento has risen above average passing rent of the property, a lack of lease renewals has constrained growth in its passing rent. Spot rents at the other two office properties at mid-year 2012 were still below their respective passing rents, although a major tenant should relocate out of 2700 Ygnacio by end of 2013, whereas its loan renewal would occur by January 2013.

Average occupancy for the portfolio was flat at 93% as at the end of June 2012. As negative rental reversion continued gross rental income dropped slightly to HK\$55.1 million in the first half of 2012 from HK\$55.9 million in the first half of 2011. With lower tenant inducement costs, however, net rental income rose 13.4% to HK\$23.7 million in the first half of 2012 from HK\$20.9 million in the first half of 2011.

## Financial Review

### Debt

Gross debts denominated in HK dollars amounted to HK\$2,142 million as of 30 June 2012. Our foreign currency gross debts as of 30 June 2012 amounted to the equivalent of HK\$2,035 million, of which the equivalent of HK\$495 million or 24% of our foreign currency debts was on fixed-rate basis. Net of cash and bank deposits that mature within 3 months totalling the equivalent of HK\$3,491 million, our consolidated net debt outstanding as of 30 June 2012 was HK\$686 million, a decrease of HK\$256 million from that of HK\$942 million as of 31 December 2011.

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 principal protected notes with reputable banks and financial institutions as counter-parties. As at 30 June 2012, investment in these bonds and notes amounted to HK\$161 million. Should this amount be taken into account, the consolidated net borrowing of the Group would be reduced to HK\$525 million.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2012 and the depreciated costs of the Group's hotel properties, amounted to HK\$34,746 million as of 30 June 2012. The net assets value at 30 June 2012 represented an increase of HK\$1,157 million compared to the value of HK\$33,589 million as of 31 December 2011, mainly attributable to the profit for the period including share of results of Champion REIT. Based on the consolidated net debt of HK\$686 million, the resulting gearing ratio at 30 June 2012 was 2%.

### Finance Cost

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

### Liquidity and Debt Maturity Profile

As of 30 June 2012, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$4,515 million. The majority of our loan facilities are secured by properties with sufficient loan to value coverage. The following is a profile of the maturity of our outstanding debts as of 30 June 2012:

Within 1 year	73.3%
1-2 years	3.8%
3-5 years	22.9%



## Pledge of Assets

At 30 June 2012, properties of the Group with a total carrying value of approximately HK\$10,180 million (31 December 2011: HK\$10,030 million), were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

## Commitments and Contingent Liabilities

As at 30 June 2012, the Group had authorised capital expenditures not provided for in these financial statements amounting to approximately HK\$985 million (31 December 2011: HK\$651 million) of which approximately HK\$918 million (31 December 2011: HK\$71 million) was contracted for.

As at 30 June 2012, the Group had outstanding financial commitment of RMB26.5 million (equivalent to HK\$32.5 million) (31 December 2011: HK\$32.5 million) for capital injection to a jointly controlled entity and commitment of RMB106 million (equivalent to HK\$129 million) (31 December 2011: HK\$163 million) for construction cost to complete a hotel property owned by an associate.

In addition to the above, as at 30 June 2012 the Group had 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 of banking facility utilised by the associate of US\$11 million (equivalent to HK\$83 million) (31 December 2011: HK\$98 million).

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 30 June 2012.

## Outlook

While economic slowdown across the Euro-zone is setting in, there are now signs that the recovery in the U.S. economy is protracting. China's economic growth also seems to be decelerating. Though our operations in key markets like Hong Kong have remained fairly healthy in these past few months, we expect there to be more volatility in the business environment in the coming year. Therefore we must be prepared to face prolonged uncertainties in the global economy.

We remain cautiously optimistic on the outlook for our hotels in Hong Kong as tourist arrivals from China have remained on an upward trend. At the London hotel, performance will be supported during the Olympics period, but it is likely that the fragile economic environment in the Europe would have a negative impact for the rest of the year. Performance at our other overseas hotels will likely be mixed, but the overall trend will be soft.

The contribution from Champion REIT in the remainder of the year should remain fairly stable. Rental rates in Central will remain weak as the downsizing of financial sector tenants continues. That however should be compensated to a certain extent by the strong performance of the Langham Place Mall, where positive rental reversions and higher turnover rents should lead to higher property income.

Although the global economy seems far from stable, our disciplined approach in maintaining a low financial gearing, together with our ample liquidity reserve, should provide us with sufficient buffer against market adversities. Meanwhile, we will seek to exploit weak asset values in selected markets for growth into the future.

## Lo Ka Shui

*Chairman and Managing Director*

Hong Kong, 17 August 2012

# GOVERNANCE AND COMPLIANCE

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## **Compliance with Corporate Governance Code**

The Company 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 in light of the regulatory requirements and the needs of the Company to underpinning our engrained value of integrity and accountability.

Throughout the period under review, the Company has complied with all the code provisions, mandatory disclosures and, where appropriate, adopted some of the recommended best practices and recommended disclosures as set out in the new CG Code contained in Appendix 14 to the Listing Rules effective on 1 April 2012, 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.

## **CG Code Provision B.1.5 requires that details of any remuneration payable to members of senior management should be disclosed by band in the annual reports**

Remuneration details of senior management are highly sensitive and confidential. Despite the information is only required to be disclosed by band, salary range of the new and past employees would possibly be ascertained indirectly whenever there is staff turnover. While over-disclosure of such information may induce inflationary spiral and undesirable competition which in turn be detrimental to the interests of Shareholders, the Board considers that our current approach on disclosing the emoluments of Directors on named basis and that of the five highest paid individuals of the Group in the forms of aggregate amount and by bands in our annual reports is appropriate to maintain the equilibrium between transparency and privacy.

## **Compliance with the Model Code**

The Company has adopted its own Code of Conduct for Securities Transactions on terms no less exacting than the required standard set out in the Model Code and the same is updated from time to time in accordance with the Listing Rules requirements.

Having made specific enquiry, all Directors and relevant employees of the Company have confirmed that they have fully complied with the Code of Conduct for Securities Transactions throughout the six months ended 30 June 2012.

## **Review of Interim Results**

The unaudited financial statements for the six months ended 30 June 2012 were prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA, and have been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

This interim report comprising the unaudited financial statements has been reviewed by the Audit Committee of the Company.

## **Disclosure of Directors’ Information pursuant to Rule 13.51B(1) of the Listing Rules**

Changes in the information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2011 Annual Report of the Company are set out below:

Dr. Lo Ka Shui, Chairman and Managing Director of the Company, retired as a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited on 22 May 2012.

Mr. Cheng Hoi Chuen, Vincent, an Independent Non-executive Director and the Chairman of Audit Committee of the Company, resigned as an Independent Non-executive Director of Swire Properties Limited on 14 April 2012 and was appointed as an Independent Non-executive Director of China Minsheng Banking Corp. Ltd on 15 June 2012.

In accordance with the Listing Rules, any change in the amount of the Director's emoluments and the basis of determining the same shall be disclosed in the next published annual or interim report. On 8 March 2012, 1,228,000 share options of the Company were granted to the following Executive

Directors of the Company and according to the Company's share accounting policy, the following share-based payments in respect of the aforesaid options were accounted for during the vesting period as non-cash emoluments of the respective Executive Directors:

Name of Executive Directors	Number of Options	Share-based Payment* (HK\$)
Lo Ka Shui (Chairman and Managing Director)	628,000	569,387
Lo Kai Shui (Deputy Managing Director)	100,000	90,667
Lo Hong Sui, Antony	100,000	90,667
Law Wai Duen	100,000	90,667
Kan Tak Kwong (General Manager)	300,000	272,000

\* Further details of share-based payments are set out in note 21 to the Condensed Consolidated Financial Statements on page 50 in this Report.

## New Shares Issued

As at 30 June 2012, the total number of issued shares of the Company was 631,347,610. As compared with the position of 31 December 2011, a total of 2,860,338 new shares were issued during the period in the following manner:

- During the period, 526,000 new shares were issued pursuant to exercise of share options under the Share Option Scheme of the Company by Directors and employees of the Company or its subsidiaries. Total funds raised therefrom amounted to HK\$4,912,840.
- On 27 June 2012, a total of 2,334,338 new shares at a price of HK\$20.04 per share were issued to the Shareholders who had elected to receive scrip shares under the Scrip Dividend Arrangement in respect of the 2011 final dividend.

## Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2012, the Company repurchased a total of 277,000 ordinary shares of the Company at an aggregate purchase price of HK\$4,381,240 on the Stock Exchange. A total of 580,000 shares (including 303,000 shares repurchased last year and left uncanceled as at 31 December 2011) were cancelled during the period ended 30 June 2012. The number of issued shares as of 30 June 2012 was 631,347,610. Particulars of the shares repurchased are as follow:

Month of repurchase	No. of ordinary shares repurchased	Purchase price paid per share		Aggregate consideration paid
		Highest	Lowest	
January 2012	277,000	HK\$16.68	HK\$15.54	HK\$4,381,240
<b>Total</b>	<b>277,000</b>			<b>HK\$4,381,240</b>

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the period.

## Public Float

As at the date of this interim report, based on 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.

## Remuneration and Staff Development

During the period, the number of employees of the Group increased approximately 1.89% to 4,952. The change was mainly attributable to the increase in staff in our hotel operations. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including Executive Directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In order to enhance employee relations and communications, regular meetings of general staff with senior management have been arranged during the year, with particular emphasis on performance management. To further support the engagement of employees, our Hotel Division applies the Total Quality Management (TQM) technology to develop a global management system by involving every employee in our continuous improvement culture. A set of Quality Standard on 4 key focuses (leadership, guest, colleague and innovation) has been launched since 2011, supported with management briefing and training.

In 2012, the Group has introduced the Value Statement and then launched the corporate driven program "The 7 Habits of Highly Effective People" which aims at personal and interpersonal leadership that helps individuals to see, think and act differently to produce better performance and business results. A strong focus has been put on "Leading Oneself and Leading Others". In order to embed "Innovation" as per the Value Statement into the Group's corporate culture, a Business Innovation Workshop has been introduced to focus on the core concept of creativity and problem solving from different perspectives as well as to widen the mind and vision towards the world-class practices and tools on innovation applied in business. The senior management workshop on "Innovation" in 2011 hammered the Hotel Division's key strategy. A electronic platform called "THINK PINK" is introduced this year for all colleagues to share their ideas. Pink Festival in June is an annual event to celebrate the new ideas the hotel has launched which engage both our colleagues and customers. The Group has also facilitated external and in-house designed training programmes in supervisory, management, soft skills as well as technical skills training. Besides, the Group has implemented an internal awareness program on "Innovation" to engage all colleagues.

# DISCLOSURE OF INTERESTS

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

As at 30 June 2012, 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 SFO) which were notified

to the Company and the 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, 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				Number of outstanding share options	Total	Percentage of issued share capital <sup>(6)</sup>
	Personal interests	Family interests	Corporate interests	Other interests			
Lo Ka Shui	49,050,079 <sup>(1)</sup>	–	3,443,127 <sup>(2)</sup>	284,846,479 <sup>(3)</sup>	1,870,000	339,209,685	53.72
Lo Kai Shui	202,973	–	639,146 <sup>(4)</sup>	208,891,692 <sup>(5)</sup>	425,000	210,158,811	33.28
Lo To Lee Kwan	999,332	–	4,592,671 <sup>(6)</sup>	208,891,692 <sup>(5)</sup>	–	214,483,695	33.97
Cheng Hoi Chuen, Vincent	–	10,000	–	–	–	10,000	0.00
Wong Yue Chim, Richard	10,000	–	–	–	–	10,000	0.00
Lo Hong Sui, Antony	54,715	–	–	208,891,692 <sup>(5)</sup>	500,000	209,446,407	33.17
Law Wai Duen	1,175,048	–	–	208,891,692 <sup>(5)</sup>	300,000	210,366,740	33.32
Lo Hong Sui, Vincent	293	–	–	208,891,692 <sup>(5)</sup>	–	208,891,985	33.08
Lo Ying Sui	3,855,046	3,764	33,269,396 <sup>(7)</sup>	208,891,692 <sup>(5)</sup>	–	246,019,898	38.96
Kan Tak Kwong	1,268,753	–	–	–	800,000	2,068,753	0.32

Notes:

- (1) Among these 49,050,079 shares, 252,330 shares of which were derivative interests held by Dr. Lo Ka Shui.
- (2) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.
- (3) These 284,846,479 shares comprise:
  - (i) 208,891,692 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 are the beneficiaries; and
  - (ii) 75,954,787 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.
- (4) These 639,146 shares comprise 534,900 shares held by certain companies wholly-owned by Mr. Lo Kai Shui and 104,246 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 4,592,671 shares were 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 were held by a company wholly-owned by Dr. Lo Ying Sui 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 30 June 2012 of 631,347,610 shares and rounded down to 2 decimal places.

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

Cinderella Media is an associated company of the Company, in which the Group has approximately 19.29% interests in the issued share capital as at 30 June 2012. Dr. Lo Ka Shui beneficially owned 150,000 shares in Cinderella Media, representing 0.046% of its issued share capital.

MGIL is an associated company of the Company, in which the Group has a 33.33% interests in the issued share capital as at 30 June 2012. China Xintiandi Investment Company Limited, an indirect wholly owned subsidiary of Shui On Land Limited, was interested in the remaining 66.67% interests in MGIL. Mr. Lo Hong Sui, Vincent was deemed to be interested in 60.93% of issued share capital of Shui On Land Limited as at 30 June 2012. Before 16 March 2012, the remaining 66.67% interests in MGIL was held by Shui On Investment Company Limited, a company beneficially owned by Mr. Lo Hong Sui, Vincent.

Save as disclosed above, as at 30 June 2012, 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.

## Share Option Schemes

In accordance with the 2009 Share Option Scheme of the Company, 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 1999 Share Option Scheme. 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.

During the six months ended 30 June 2012, 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:

Date of grant	Number of Share Options					Exercise period	Exercise price per share (HK\$)
	Outstanding as at 01/01/2012	Grant during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30/06/2012		
04/01/2007 <sup>(1)</sup>	1,529,000	–	–	(1,529,000)	–	05/01/2009 – 04/01/2012	22.35
08/01/2009 <sup>(1)</sup>	1,073,000	–	(526,000)	–	547,000	09/01/2011 – 08/01/2014	9.34
04/03/2010 <sup>(2)</sup>	2,529,000	–	–	(57,000)	2,472,000	05/03/2012 – 04/03/2015	22.80
07/03/2011 <sup>(2)</sup>	2,896,000	–	–	(134,000)	2,762,000	08/03/2013 – 07/03/2016	26.18
08/03/2012 <sup>(2)</sup>	–	3,210,000 <sup>(3)</sup>	–	(98,000)	3,112,000	09/03/2014 – 08/03/2017	23.20
<b>Total</b>	<b>8,027,000</b>	<b>3,210,000</b>	<b>(526,000)</b>	<b>(1,818,000)</b>	<b>8,893,000</b>		

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 six months ended 30 June 2012, 1,228,000 and 1,982,000 share options were granted to the Directors and other employees of the Group respectively.
- (4) During the six months ended 30 June 2012, no share options were cancelled.
- (5) Consideration paid for each grant of share options was HK\$1.00.
- (6) The vesting period for the share options granted is 24 months from the date of grant.
- (7) The closing price of the shares of the Company immediately before the date of grant of 8 March 2012, i.e. 7 March 2012, was HK\$21.90.



During the six months ended 30 June 2012, 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:

	Date of grant	Number of Share Options				Outstanding as at 30/06/2012	Exercise price per share (HK\$)	Weighted average closing price immediately before the date of exercise (HK\$)
		Outstanding as at 01/01/2012	Grant during the period	Exercised during the period	Lapsed during the period			
<b>Directors</b>								
Lo Ka Shui	04/03/2010 <sup>(2)</sup>	620,000	–	–	–	620,000	22.80	N/A
	07/03/2011 <sup>(2)</sup>	622,000	–	–	–	622,000	26.18	N/A
	08/03/2012 <sup>(2)</sup>	–	628,000	–	–	628,000	23.20	N/A
		1,242,000	628,000	–	–	1,870,000		
Lo Kai Shui	04/01/2007 <sup>(1)</sup>	200,000	–	–	(200,000)	–	22.35	N/A
	08/01/2009 <sup>(1)</sup>	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010 <sup>(2)</sup>	100,000	–	–	–	100,000	22.80	N/A
	07/03/2011 <sup>(2)</sup>	100,000	–	–	–	100,000	26.18	N/A
	08/03/2012 <sup>(2)</sup>	–	100,000	–	–	100,000	23.20	N/A
		525,000	100,000	–	(200,000)	425,000		
Lo Hong Sui, Antony	04/01/2007 <sup>(1)</sup>	200,000	–	–	(200,000)	–	22.35	N/A
	08/01/2009 <sup>(1)</sup>	125,000	–	–	–	125,000	9.34	N/A
	04/03/2010 <sup>(2)</sup>	150,000	–	–	–	150,000	22.80	N/A
	07/03/2011 <sup>(2)</sup>	125,000	–	–	–	125,000	26.18	N/A
	08/03/2012 <sup>(2)</sup>	–	100,000	–	–	100,000	23.20	N/A
		600,000	100,000	–	(200,000)	500,000		
Law Wai Duen	04/01/2007 <sup>(1)</sup>	100,000	–	–	(100,000)	–	22.35	N/A
	08/01/2009 <sup>(1)</sup>	112,000	–	(112,000)	–	–	9.34	22.14
	04/03/2010 <sup>(2)</sup>	100,000	–	–	–	100,000	22.80	N/A
	07/03/2011 <sup>(2)</sup>	100,000	–	–	–	100,000	26.18	N/A
	08/03/2012 <sup>(2)</sup>	–	100,000	–	–	100,000	23.20	N/A
		412,000	100,000	(112,000)	(100,000)	300,000		
Kan Tak Kwong	04/01/2007 <sup>(1)</sup>	300,000	–	–	(300,000)	–	22.35	N/A
	08/01/2009 <sup>(1)</sup>	250,000	–	(250,000)	–	–	9.34	22.14
	04/03/2010 <sup>(2)</sup>	200,000	–	–	–	200,000	22.80	N/A
	07/03/2011 <sup>(2)</sup>	300,000	–	–	–	300,000	26.18	N/A
	08/03/2012 <sup>(2)</sup>	–	300,000	–	–	300,000	23.20	N/A
		1,050,000	300,000	(250,000)	(300,000)	800,000		
<b>Employees (other than Directors of the Company)</b>	04/01/2007 <sup>(1)</sup>	729,000	–	–	(729,000)	–	22.35	N/A
	08/01/2009 <sup>(1)</sup>	461,000	–	(164,000)	–	297,000	9.34	22.14
	04/03/2010 <sup>(2)</sup>	1,359,000	–	–	(57,000)	1,302,000	22.80	N/A
	07/03/2011 <sup>(2)</sup>	1,649,000	–	–	(134,000)	1,515,000	26.18	N/A
	08/03/2012 <sup>(2)</sup>	–	1,982,000	–	(98,000)	1,884,000	23.20	N/A
		4,198,000	1,982,000	(164,000)	(1,018,000)	4,998,000		

Notes:

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

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 pursuant to 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.

Share options granted on 07/03/2011 are exercisable during the period from 08/03/2013 to 07/03/2016.

Share options granted on 08/03/2012 are exercisable during the period from 09/03/2014 to 08/03/2017.

(3) During six months ended 30 June 2012, no share options were cancelled.

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

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

(6) The closing price of the shares of the Company immediately before the date of grant of 8 March 2012, i.e. 7 March 2012, was HK\$21.90.

## Substantial Shareholders' Interests in Shares

As at 30 June 2012, the interests and short positions of 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 Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company are as follows:

## Long positions in shares of the Company

Name of Shareholders	Number of shares	Percentage of issued share capital <sup>(5)</sup>
HSBC International Trustee Limited	286,689,484 <sup>(1)</sup>	45.40
Powermax Agents Limited <sup>(2)</sup>	154,947,717	24.54
Surewit Finance Limited <sup>(3)</sup>	44,744,350	7.08
Adscan Holdings Limited <sup>(4)</sup>	33,269,396	5.26

Notes:

(1) The number of shares disclosed was based on the latest Disclosure of Interest Form dated 30 December 2011 received from HSBC International Trustee Limited ("HITL"). According to the latest disclosures made by the Directors of the Company, as at 30 June 2012:

(i) 208,891,692 shares representing 33.08% of the issued share capital of the Company were held in the name of HITL as a trustee of 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, all being Directors of the Company, are among the beneficiaries.

(ii) 75,954,787 shares representing 12.03% 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 154,947,717 shares held by it were 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 44,744,350 shares held by it were among the shares referred to in Note (1)(ii) above. Dr. Lo Ka Shui is the sole director of this company.
- (4) Adscan Holdings Limited is a company wholly-owned by Dr. Lo Ying Sui, who is also a director of this company.
- (5) This percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2012 of 631,347,610 shares and rounded down to 2 decimal places.

Save as disclosed above, as at 30 June 2012, no person (other than Directors of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 20 and 21) was interested (or deemed to be interested) or held any short position in the shares or underlying shares of

the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



## TO THE BOARD OF DIRECTORS OF GREAT EAGLE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

### Introduction

We have reviewed the condensed consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 54, which comprises the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our Review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

17 August 2012

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

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	NOTES	Six months ended 30 June	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Revenue	3	2,354,181	2,230,283
Cost of goods and services		(1,624,790)	(1,541,950)
Operating profit before depreciation		729,391	688,333
Depreciation		(171,889)	(172,259)
Operating profit		557,502	516,074
Fair value changes on investment properties		228,556	599,762
Fair value changes on derivative financial instruments		41,823	(169,751)
Fair value changes on financial assets designated at fair value through profit or loss		–	(1,637)
Other income		107,978	98,436
Administrative expenses		(105,276)	(111,904)
Finance costs	5	(50,816)	(49,961)
Share of results of associates		668,369	2,005,862
Share of results of a jointly controlled entity		(5,138)	(4,174)
Profit before tax		1,442,998	2,882,707
Income taxes	6	(113,045)	(112,069)
Profit for the period	7	1,329,953	2,770,638
Profit for the period attributable to:			
Owners of the Company		1,329,698	2,770,638
Non-controlling interests		255	–
		1,329,953	2,770,638
Earnings per share	9		
Basic		HK\$2.11	HK\$4.39
Diluted		HK\$2.11	HK\$3.57

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

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	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Profit for the period	1,329,953	2,770,638
<b>Other comprehensive income (expense)</b>		
Fair value gain (losses) on available-for-sale investments	796	(1,863)
Exchange differences arising on translation of foreign operations	36,683	140,918
Share of other comprehensive income (expenses) of associates	33	(66,253)
Share of other comprehensive (expense) income of a jointly controlled entity	(6,430)	10,879
	31,082	83,681
Total comprehensive income for the period	1,361,035	2,854,319
Total comprehensive income for the period attributable to:		
Owners of the Company	1,360,780	2,854,319
Non-controlling interests	255	–
	1,361,035	2,854,319

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

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	NOTES	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	10,288,353	10,140,331
Investment properties	10	5,107,498	4,879,376
Deposit for acquisition of a hotel property	24	32,194	–
Interests in associates	11	16,903,931	16,460,751
Interest in a jointly controlled entity	12	641,922	653,490
Available-for-sale investments	13	98,230	92,775
Investment in convertible bonds	14	–	2,834,389
Notes receivable	15	77,575	77,697
Restricted cash		11,642	12,295
		<b>33,161,345</b>	<b>35,151,104</b>
<b>Current assets</b>			
Inventories		81,774	95,240
Debtors, deposits and prepayments	16	465,511	423,417
Investment in convertible bonds	14	2,949,650	–
Notes receivable	15	83,949	96,251
Bank balances and cash		3,479,533	2,439,288
		<b>7,060,417</b>	<b>3,054,196</b>
<b>Current liabilities</b>			
Creditors, deposits and accruals	17	812,077	817,682
Derivative financial instruments		1,907	903
Provision for taxation		83,761	70,833
Borrowings due within one year	18	3,063,472	2,585,306
		<b>3,961,217</b>	<b>3,474,724</b>
Net current assets (liabilities)		<b>3,099,200</b>	<b>(420,528)</b>
Total assets less current liabilities		<b>36,260,545</b>	<b>34,730,576</b>

	NOTES	At 30 June 2012 HK\$'000 (unaudited)	At 31 December 2011 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Derivative financial instruments		–	131
Borrowings due after one year	18	1,113,940	808,862
Deferred taxation		398,155	332,461
		<b>1,512,095</b>	<b>1,141,454</b>
<b>NET ASSETS</b>			
		<b>34,748,450</b>	<b>33,589,122</b>
<b>Equity</b>			
Share capital	19	315,673	314,533
Treasury shares	19	–	(4,583)
Share premium and reserves		34,430,499	33,279,172
<b>Equity attributable to owners of the Company</b>			
		<b>34,746,172</b>	<b>33,589,122</b>
Non-controlling interests		2,278	–
<b>TOTAL EQUITY</b>			
		<b>34,748,450</b>	<b>33,589,122</b>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

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	Attributable to owners of the Company												Non-controlling interests	
	Share capital	Treasury shares	Share premium	Investment revaluation reserve	Property revaluation reserve	Capital redemption reserve	Contributed surplus	Exchange translation reserve	Share option reserve	Hedging reserve	Retained profits	Total	interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	311,404	-	3,762,428	43,068	23,109	1,650	402,540	90,165	39,577	66,251	24,904,938	29,645,130	-	29,645,130
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,770,638	2,770,638	-	2,770,638
Fair value losses on available-for-sale investments	-	-	-	(1,863)	-	-	-	-	-	-	-	(1,863)	-	(1,863)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	140,918	-	-	-	140,918	-	140,918
Share of other comprehensive expenses of associates	-	-	-	-	-	-	-	(2)	-	(66,251)	-	(66,253)	-	(66,253)
Share of other comprehensive income of a jointly controlled entity	-	-	-	-	-	-	-	10,879	-	-	-	10,879	-	10,879
Total comprehensive income for the period	-	-	-	(1,863)	-	-	-	151,795	-	(66,251)	2,770,638	2,854,319	-	2,854,319
Dividend paid	-	-	-	-	-	-	-	-	-	-	(237,625)	(237,625)	-	(237,625)
Shares issued at premium	4,463	-	207,048	-	-	-	-	-	(13,719)	-	-	197,792	-	197,792
Share issue expenses	-	-	(20)	-	-	-	-	-	-	-	-	(20)	-	(20)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	8,614	-	-	8,614	-	8,614
At 30 June 2011 (unaudited)	315,867	-	3,969,456	41,205	23,109	1,650	402,540	241,960	34,472	-	27,437,951	32,468,210	-	32,468,210
At 1 January 2012	314,533	(4,583)	3,928,316	23,788	23,109	3,054	400,965	95,158	42,956	-	28,761,826	33,589,122	-	33,589,122
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,329,698	1,329,698	255	1,329,953
Fair value gain on available-for-sale investments	-	-	-	796	-	-	-	-	-	-	-	796	-	796
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	36,683	-	-	-	36,683	-	36,683
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	33	-	-	-	33	-	33
Share of other comprehensive expense of a jointly controlled entity	-	-	-	-	-	-	-	(6,430)	-	-	-	(6,430)	-	(6,430)
Total comprehensive income for the period	-	-	-	796	-	-	-	30,286	-	-	1,329,698	1,360,780	255	1,361,035
Dividend paid	-	-	-	-	-	-	-	-	-	-	(251,604)	(251,604)	-	(251,604)
Shares issued at premium	1,430	-	51,925	-	-	-	-	-	(1,661)	-	-	51,694	-	51,694
Share issue expenses	-	-	(13)	-	-	-	-	-	-	-	-	(13)	(2)	(15)
Shares repurchased and cancelled	(290)	4,583	(8,692)	-	-	-	-	-	-	-	-	(4,399)	-	(4,399)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	592	-	-	592	-	592
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	2,025	2,025
At 30 June 2012 (unaudited)	315,673	-	3,971,536	24,584	23,109	3,054	400,965	125,444	41,887	-	29,839,920	34,746,172	2,278	34,748,450

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

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		Six months ended 30 June	
	NOTES	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Cash generated from operations</b>			
Hong Kong Profits Tax paid		520,682	493,511
Other jurisdictions tax paid		(267)	(3,776)
Hong Kong Profits Tax refunded		(36,168)	(43,349)
Other jurisdictions tax refunded		11	10
		14	–
<b>Net cash from operating activities</b>		<b>484,272</b>	<b>446,396</b>
<b>Investing activities</b>			
Dividends received from associates		331,049	282,932
Additions of property, plant and equipment		(267,299)	(120,412)
Advance to an associate	11(c)	(49,552)	(179,210)
Deposit for acquisition of a hotel property	24	(32,194)	–
Interest received		28,742	20,745
Proceeds on disposal of financial assets designated at fair value through profit or loss		24,656	89,408
Additions of financial assets designated at fair value through profit or loss		(23,468)	(96,210)
Proceeds on redemption of notes receivable		11,749	39,823
Additions of available-for-sale investments		(4,659)	–
Dividends received from listed available-for-sale investments		2,712	2,000
Additions of investment properties		(1,740)	(2,024)
Repayment from an associate		1,138	–
Decrease in restricted cash		653	–
Investment in a jointly controlled entity		–	(55,000)
Proceeds on disposal of property, plant and equipment		–	20
<b>Net cash from (used in) investing activities</b>		<b>21,787</b>	<b>(17,928)</b>

Six months ended 30 June

	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Financing activities</b>		
New bank loans raised	1,272,189	403,077
Repayments of bank loans	(500,187)	(454,983)
Dividends paid to shareholders	(204,824)	(79,641)
Interest paid	(38,482)	(50,040)
Issue of shares	4,900	39,789
Repurchase of shares	(4,399)	–
Proceeds from disposal of interest in a subsidiary that does not result in losing control	2,025	–
<b>Net cash from (used in) financing activities</b>	<b>531,222</b>	<b>(141,798)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,037,281</b>	<b>286,670</b>
Effect of foreign exchange rate changes	2,964	44,056
<b>Cash and cash equivalents at 1 January</b>	<b>2,439,288</b>	<b>1,553,444</b>
<b>Cash and cash equivalents at 30 June</b>	<b>3,479,533</b>	<b>1,884,170</b>
<b>Analysis of the balance of cash and cash equivalents:</b>		
Bank balances and cash	3,479,533	1,884,170

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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## 1. Basis of preparation

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

## 2. Principal accounting policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In prior year, the Group early adopted the Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in respect of the recognition of deferred tax on investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" and are presumed to be recovered through sale. In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported on these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective. The following new or revised standards have been issued after the date of the consolidated financial statements for the year ended 31 December 2011 were authorised for issuance and not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>
Amendments to HKFRS 1	Government Loans <sup>1</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

For these new and revised HKFRSs, the Directors anticipate that their application will have no material impact on the results and the financial position of the Group.

### 3. Revenue

Revenue represents the aggregate of gross rental income, building management service income, income from hotel 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 agency commission and income from fitness centre and restaurant operations.

	<b>Six months ended 30 June</b>	
	<b>2012</b> HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Property rental income	137,897	132,178
Building management service income	10,944	9,584
Hotel income	1,905,558	1,801,306
Sales of goods	72,387	60,673
Dividend income	2,712	2,000
Management service income earned as a manager of real estate investment trust	99,620	91,786
Others	125,063	132,756
	<b>2,354,181</b>	2,230,283

### 4. Segment information

Operating segments are identified on the basis of organisational structure and 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 operating and reportable segments under HKFRS 8, which are consistent with those disclosed in the Group's annual financial statements for the year ended 31 December 2011, 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	–	hotel accommodation, food and banquet operations as well as hotel management.
Income from Champion REIT	–	management service income for acting as the manager of Champion Real Estate Investment Trust ("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 and property agency services.

#### 4. Segment information (continued)

Segment results represent the results of 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, fair value changes on investment properties, derivative financial instruments and financial assets designated at fair value through profit or loss, 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.

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

##### Six months ended 30 June 2012

##### Segment revenue and results

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Income from Champion REIT HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>REVENUE</b>						
External revenue	148,841	1,905,558	133,964	165,818	-	2,354,181
Inter-segment revenue	1,165	-	-	6,117	(7,282)	-
<b>Total</b>	<b>150,006</b>	<b>1,905,558</b>	<b>133,964</b>	<b>171,935</b>	<b>(7,282)</b>	<b>2,354,181</b>

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

##### RESULTS

Segment results	97,037	441,839	117,464	124,646		780,986
Other corporate income						13,673
Centralised corporate expenses						(62,566)
Depreciation						(171,889)
Fair value changes on investment properties						228,556
Fair value changes on derivative financial instruments						41,823
Finance costs						(50,816)
Share of results of associates						668,369
Share of results of a jointly controlled entity						(5,138)
<b>Profit before tax</b>						<b>1,442,998</b>
<b>Income taxes</b>						<b>(113,045)</b>
<b>Profit for the period</b>						<b>1,329,953</b>

## 4. Segment information (continued)

Six months ended 30 June 2011

### Segment revenue and results

	Property investment	Hotel operation	Income from Champion REIT	Other operations	Eliminations	Consolidated
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
<b>REVENUE</b>						
External revenue	141,762	1,801,306	126,631	160,584	–	2,230,283
Inter-segment revenue	1,165	–	–	4,849	(6,014)	–
Total	142,927	1,801,306	126,631	165,433	(6,014)	2,230,283

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

### RESULTS

Segment results	89,996	419,317	110,212	123,479		743,004
Other corporate income						2,087
Centralised corporate expenses						(70,226)
Depreciation						(172,259)
Fair value changes on investment properties						599,762
Fair value changes on derivative financial instruments						(169,751)
Fair value changes on financial assets designated at fair value through profit or loss						(1,637)
Finance costs						(49,961)
Share of results of associates						2,005,862
Share of results of a jointly controlled entity						(4,174)
Profit before tax						2,882,707
Income taxes						(112,069)
Profit for the period						2,770,638

## 5. Finance costs

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	28,696	26,183
Interest on other loans wholly repayable within five years	16,531	18,189
Other borrowing costs	5,589	5,589
	50,816	49,961

## 6. Income taxes

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Current tax:</b>		
<b>Current period:</b>		
Hong Kong Profits Tax	46,877	39,632
Other jurisdictions	5,882	9,540
	52,759	49,172
<b>(Over)underprovision in prior periods:</b>		
Hong Kong Profits Tax	(1,630)	4,402
Other jurisdictions	(1,650)	(1,980)
	(3,280)	2,422
	49,479	51,594
<b>Deferred tax:</b>		
Current period	51,370	60,475
Underprovision in prior periods	12,196	–
	63,566	60,475
	113,045	112,069

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.



## 7. Profit for the period

	<b>Six months ended 30 June</b>	
	<b>2012</b> HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Profit for the period has been arrived at after charging (crediting):</b>		
Staff costs (including directors' emoluments)	840,143	778,674
Share based payments (including directors' emoluments)	592	8,614
	<b>840,735</b>	<b>787,288</b>
Depreciation	171,889	172,259
(Reversal of) allowance for doubtful debts, net	(229)	830
Share of tax of associates (included in the share of results of associates)	58,957	43,283
Dividend income from listed investments	(2,712)	(2,000)
Interest income	(102,647)	(89,082)
Gain on disposal of property, plant and equipment	–	(5)
Net exchange gain	(4,271)	(6,907)

## 8. Dividends

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Dividends paid:</b>		
Final dividend of HK40 cents in respect of the financial year ended 31 December 2011 (2011: HK38 cents in respect of the financial year ended 31 December 2010) per ordinary share	251,604	237,625
<b>Dividends declared:</b>		
Interim dividend of HK23 cents in respect of the six months ended 30 June 2012 (2011: HK21 cents in respect of the six months ended 30 June 2011) per ordinary share	145,210	132,664

On 27 June 2012, a final dividend of HK40 cents (2011: final dividend of HK38 cents) per ordinary share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2011. The scrip dividend alternatives were accepted by the shareholders as follows:

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Dividends</b>		
Cash	204,824	79,641
Share alternative	46,780	157,984
	<b>251,604</b>	<b>237,625</b>

The Directors have determined that an interim dividend of HK23 cents (2011: HK21 cents) per ordinary share will be paid to the shareholders of the Company whose names appear in the Register of Members on 8 October 2012.

## 9. Earnings per share

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

	<b>Six months ended 30 June</b>	
	<b>2012</b> HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	<b>1,329,698</b>	2,770,638
Effect of dilutive potential shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share (note)	–	(515,520)
Earnings for the purpose of diluted earnings per share	<b>1,329,698</b>	2,255,118

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	<b>631,007,418</b>	630,521,184
Effect of dilutive potential shares:		
Share options	<b>513,696</b>	1,587,270
Weighted average number of shares for the purpose of diluted earnings per share	<b>631,521,114</b>	632,108,454

Note:

The adjustment to the share of profit of an associate represents the dilutive effects on assumed conversion of outstanding convertible bonds issued by Champion REIT. For the six months ended 30 June 2012, the computation did not assume such conversion since an increase in earnings per share would result.

## 10. Movements in property, plant and equipment and investment properties

During the six months ended 30 June 2011, the Group had additions in relation to structural improvement work on hotel properties of HK\$19,363,000. During the current interim period, the Group had additions of hotel buildings under development of HK\$179,950,000 (six months ended 30 June 2011: HK\$14,815,000). The additions of other property, plant and equipment were HK\$92,156,000 (six months ended 30 June 2011: HK\$85,544,000). During the six months ended 30 June 2011, the Group had disposals of other property, plant and equipment of HK\$15,000.

At 30 June 2012 and 2011, the Directors conducted an impairment assessment on hotel properties, no reversal or additional impairment loss was recognised for the six months ended 30 June 2012 and 2011.

During the current interim period, the Group had additions to improvement work on investment properties at a cost of HK\$1,169,000 (six months ended 30 June 2011: HK\$2,461,000).

The fair value of the Group's investment properties of HK\$5,107,498,000 as at 30 June 2012 (31 December 2011: HK\$4,879,376,000) has been arrived at on a basis of valuation carried out by independent professional property valuers not connected with the Group:

Investment properties in Hong Kong – Knight Frank Petty Limited (31 December 2011: Savills Valuation and Professional Services Limited)

Investment properties in the United States of America – 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.

## 11. Interests in associates

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Cost of investment in associates:		
Unlisted associates in Hong Kong	12	12
Unlisted associate in the People's Republic of China (the "PRC") (note a)	189,198	189,198
Listed associates in Hong Kong:		
Investment in Champion REIT (note b)	10,962,149	10,904,736
Others	2,596	2,596
	10,964,745	10,907,332
	11,153,955	11,096,542
Share of post-acquisition profit and other comprehensive income, net of dividend received	5,469,824	5,132,471
Amounts due from associates (note c)	280,152	231,738
	16,903,931	16,460,751
Fair value of listed associates	8,444,689	7,606,225

### Notes:

- (a) The Group acquired one-third of the entire issued share capital of Magic Garden Investments Limited ("MGIL"), a wholly owned subsidiary of Shui On Investment Company Limited, a related company in which a director of the Company who is also a close family member of the chairman and managing director of the Group has controlling interest, for a consideration of US\$24,118,000 (equivalent to HK\$188,120,000) in August 2010. MGIL indirectly holds a hotel property in the Luwan District, Shanghai, and the Group provides hotel management and related services to MGIL (see note 23).
- (b) The Directors evaluated the amendments to the deed of trust constituting Champion REIT (the "Trust Deed") in July 2010 in accordance with revisions to the Code on Real Estate Investment Trusts published by The Securities and Future Commission of Hong Kong, and concluded that the Group was able to exercise significant influence on Champion REIT upon such amendments to the Trust Deed. Accordingly, the Group's holding of units issued by Champion REIT were classified as investment in an associate.
- During the six months ended 30 June 2012, units of Champion REIT amounting to HK\$57,413,000 (30 June 2011: HK\$53,752,000) were received as settlement by Champion REIT in respect of management service income earned as the manager of Champion REIT, accordingly, cost of investment in the associate was increased by the same amount.
- (c) During the six months ended 30 June 2012, the Group had further injected HK\$49,552,000 (30 June 2011: HK\$179,210,000) to MGIL for funding the outstanding construction costs payable and bank loan obligations. The amounts were unsecured, interest-free and have no fixed terms of repayment. 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.

In determining whether there exist any objective evidence of impairment of the Group's interests in associates, the Directors consider any loss events at the end of the reporting period which may have an impact on the estimated future cash flows of its associates. The Directors assessed that no objective evidence of impairment was identified. Accordingly, no impairment loss is recognised.

## 12. Interest in a jointly controlled entity

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Cost of investment in a jointly controlled entity	632,612	632,612
Share of post-acquisition results and other comprehensive income	9,310	20,878
	<b>641,922</b>	653,490

Pursuant to a subscription and shareholders' agreement signed between an indirect wholly owned subsidiary of the Company and an independent third party investor (the "Investor") in February 2010, the financial and operating policies of Wealth Joy Holdings Limited ("Wealth Joy") require unanimous consent from the Group and the Investor, accordingly Wealth Joy is accounted for as a jointly controlled entity of the Group.

Wealth Joy and its subsidiaries are principally engaged in developing a parcel of land in Donggang area, Renmin Road East, which is the commercial and financial centre of Dalian, the PRC.

## 13. Available-for-sale investments

Available-for-sale investments comprise:

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Listed equity securities in Hong Kong	65,996	65,200
Unlisted equity securities in Hong Kong	24,440	19,781
Unlisted equity securities outside Hong Kong	7,794	7,794
	<b>98,230</b>	92,775
Market value of listed securities	65,996	65,200

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 the 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.

## 14. Investment in convertible bonds

	<b>Straight debt</b>	<b>Embedded derivatives</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)
At 1 January 2012	2,689,753	144,636	2,834,389
Interest income recognised during the period	84,265	–	84,265
Interest received	(11,700)	–	(11,700)
Change in fair value	–	42,696	42,696
At 30 June 2012	2,762,318	187,332	2,949,650

On 3 June 2008, the Group subscribed an aggregate principal amount of HK\$2,340 million 1% guaranteed convertible bonds due June 2013 (the "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. The conversion price after adjusting for the Excess Distribution (as defined in terms and conditions of the Bonds) on 16 May 2012, was HK\$3.44 per unit. If the holder has elected to convert the Bonds, the issuer shall have an option to pay to the holders in whole or in part an amount of cash equal to the market values of the number of units deliverable. If the Bonds have not been converted, redeemed by the issuer or the holders or purchased and cancelled, they will be redeemed on 3 June 2013 at 123.94% of the outstanding principal amount. Interest of 1% will be paid semi-annually in arrears on 3 June and 3 December each year, commencing on 3 December 2008.

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

The fair 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 7.24% (31 December 2011: 7.13%), unit price of Champion REIT at HK\$3.21 (31 December 2011: HK\$2.92), risk-free rate of 0.15% (31 December 2011: 0.3%) in respect of the Bonds, and expected volatility of 36.4% (31 December 2011: 40.7%) with reference to Champion REIT's historical volatility of the past 1 year (31 December 2011: 1.5 years).

## 15. Notes receivable

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Unsecured bonds	3,949	16,251
Medium term notes	157,575	157,697
	<b>161,524</b>	173,948
Less: Amounts due within one year shown under current assets	<b>(83,949)</b>	(96,251)
Amounts due after one year	<b>77,575</b>	77,697

The unsecured bonds issued by reputable financial institutions are denominated in Australian dollars and carry annual fixed coupon interest rate of 6.32% (31 December 2011: ranging from 6% to 6.32%, or bank-bill reference rate in Australia plus certain spread) per annum with maturity date in August 2012 (31 December 2011: June 2012 to August 2012).

The medium term notes issued by reputable financial institutions are denominated in Hong Kong dollars and United States dollars ("US\$") and carry interest at fixed rates ranging from 3% to 5.15% (31 December 2011: 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 London Interbank Offered Rate or 3-month Hong Kong Interbank Offered Rate, thereafter till the maturity dates ranging from August 2012 to August 2013 (31 December 2011: August 2012 to August 2013).

## 16. Debtors, deposits and prepayments

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Trade debtors, net of allowance for doubtful debts	347,481	293,327
Deferred rent receivables	22,198	23,242
Other receivables	27,433	45,829
Deposits and prepayments	68,399	61,019
	<b>465,511</b>	423,417

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.



## 16. Debtors, deposits and prepayments (continued)

The following is an analysis of trade debtors by age, presented based on the invoice date, net of allowance for doubtful debts:

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
0-3 months	282,545	242,336
3-6 months	6,725	9,158
Over 6 months	58,211	41,833
	<b>347,481</b>	<b>293,327</b>

## 17. Creditors, deposits and accruals

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Trade creditors	137,489	152,455
Deposits received	268,953	212,346
Construction fee payable and retention money payable	7,455	3,194
Accruals, interest payable and other payables	398,180	449,687
	<b>812,077</b>	<b>817,682</b>

The following is an analysis of trade creditors by age, presented based on the invoice date:

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
0-3 months	125,845	142,785
3-6 months	3,323	2,758
Over 6 months	8,321	6,912
	<b>137,489</b>	<b>152,455</b>

## 18. Borrowings

	<b>30 June 2012</b> HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Bank loans and revolving loans (secured)	<b>3,182,080</b>	2,391,819
Other non-current loans (secured)	<b>1,002,426</b>	1,009,675
	<b>4,184,506</b>	3,401,494
Loan front-end fee	<b>(7,094)</b>	(7,326)
	<b>4,177,412</b>	3,394,168
The maturity of the above loans based on scheduled repayment terms is as follows:		
Within one year	<b>3,063,472</b>	2,585,306
More than one year but not exceeding two years	<b>158,886</b>	262,721
More than two years but not exceeding five years	<b>955,054</b>	546,141
	<b>4,177,412</b>	3,394,168
Less: Amounts due within one year shown under current liabilities	<b>(3,063,472)</b>	(2,585,306)
Amounts due after one year	<b>1,113,940</b>	808,862

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

	<b>30 June 2012</b> (unaudited)	31 December 2011 (audited)
Effective interest rate:		
Fixed-rate borrowings	<b>3.84% to 6.09%</b>	3.84% to 6.09%
Variable-rate borrowings	<b>0.78% to 6.25%</b>	0.64% to 5.88%

At the end of the reporting period, included in the Group's borrowings are fixed-rate borrowings with carrying amount of HK\$494,987,000 (31 December 2011: HK\$496,012,000), the remaining balances were variable-rate borrowings.

## 19. Share capital

	30 June 2012 (unaudited)		31 December 2011 (audited)	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
<b>Shares of HK\$0.50 each</b>				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000
Issued and fully paid:				
<b>Shares of HK\$0.50 each</b>				
Balance brought forward	629,067	314,533	622,810	311,404
Issued upon exercise of share options under the share option scheme	526	263	2,884	1,442
Issued as scrip dividends	2,334	1,167	6,180	3,091
Repurchases and cancellation of shares	(580)	(290)	(2,807)	(1,404)
Balance carried forward	631,347	315,673	629,067	314,533

During the six months ended 30 June 2012, 2,334,338 (31 December 2011: 6,180,898) shares of HK\$0.50 each in the Company were issued at HK\$20.04 (31 December 2011: HK\$25.56) per share as scrip dividends.

In January 2012, the Company has repurchased a total of 277,000 of its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of shares repurchased	Price per share		Aggregate consideration paid before expenses HK\$'000
		Highest HK\$	Lowest HK\$	
January 2012	277,000	16.68	15.54	4,381

580,000 repurchased shares, comprising 303,000 shares repurchased in December 2011 and 277,000 share repurchased in January 2012, were cancelled and the issued share capital of the Company was reduced by the par value of such shares. The premium paid on repurchase of such shares was charged against the share premium accounts.

## 20. Major non-cash transactions

- (a) During the six months ended 30 June 2012, 2,334,338 (30 June 2011: 6,180,898) shares of HK\$0.50 each in the Company were issued at HK\$20.04 (30 June 2011: HK\$25.56) per share as scrip dividends.
- (b) During the six months ended 30 June 2012, management service income of HK\$57,413,000 (30 June 2011: HK\$53,752,000) earned as manager of Champion REIT for the second half of 2011 was settled in the form of units of Champion REIT. The units received were classified as interests in associates.

During the six months ended 30 June 2012, management service income of HK\$99,620,000 (30 June 2011: HK\$91,786,000) was earned as manager of Champion REIT in which HK\$59,772,000 (30 June 2011: HK\$55,072,000) and HK\$39,848,000 (30 June 2011: HK\$36,714,000) will be settled in the form of units of Champion REIT and by cash subsequent to the period end, respectively.

## 21. Share-based payments

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the period are as follows:

	<b>Number of share options (unaudited)</b>
Outstanding at 1 January 2012	8,027,000
Granted during the period	3,210,000
Exercised during the period	(526,000)
Lapsed during the period	(1,818,000)
Outstanding at 30 June 2012	8,893,000

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$22.14.

During the period, 3,210,000 share options were granted on 8 March 2012. The closing price of the Company's shares immediately before 8 March 2012, the date of grant, was HK\$21.9. The fair value of the options determined at the date of grant using the Black-Scholes option pricing model was HK\$5.44. The exercise price of the options was HK\$23.2. The options were exercisable for 36 months on the expiry of 24-month vesting period after the date of grant.

## 22. Commitments and contingent liabilities

At 30 June 2012, the Group has authorised capital expenditure for acquisition of investment properties and property, plant and equipment which is not provided for in these condensed consolidated financial statements amounting to HK\$984,827,000 (31 December 2011: HK\$651,229,000) of which HK\$918,066,000 (31 December 2011: HK\$70,861,000) was contracted for.

At 30 June 2012, the Group has outstanding financial commitment in respect of capital injection to a jointly controlled entity of RMB26,500,000 (equivalent to HK\$32,500,000) (31 December 2011: HK\$32,500,000) and share of commitment of construction cost to completion of a hotel property owned by an associate of RMB105,728,000 (equivalent to HK\$129,136,000) (31 December 2011: HK\$163,247,000).

In addition, the Group has provided a several corporate guarantee and a charge over its interest in the share capital of MGIL to a bank in respect of the Group's share of banking facility obtained and fully utilised by the associate of US\$10,725,000 (equivalent to HK\$83,199,000) (31 December 2011: HK\$98,481,000). In the opinion of the Directors, because the banking facility is secured by a hotel property owned by the associate and the market value of the hotel property is higher than the guaranteed amount, the fair value of the financial guarantees is insignificant.

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

## 23. Connected and related party disclosures

The Group had the following significant related party balances and transactions during the period. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties.

Dr. Lo Ka Shui is the chairman, managing director as well as substantial shareholder of the Company. Transactions with the Group were disclosed as related party transactions.

Related companies are companies in which Mr. Lo Hong Sui, Vincent or Mr. Lo Kai Shui, Directors of the Company who are also close family members of the chairman, managing director as well as substantial shareholder of the Company, have controlling interests.

Transactions with related companies (other than Champion REIT and Wealth Joy) are also connected transactions as defined in the chapter 14A of the Listing Rules.

## 23. Connected and related party disclosures (continued)

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
<b>Transactions with a related party for the period</b>		
Dr. Lo Ka Shui		
Management fee received	450	450
<b>Transactions with related companies for the period</b>		
Sun Fook Kong Holdings Ltd and its subsidiaries		
Rental income	2,196	2,196
Building management fee income	444	396
Trading income	86	403
Carpark income	48	48
Consultancy service income	300	150
SOCAM Development Limited and its subsidiaries		
Trading income	–	79
Shui On Land Limited and its subsidiaries		
Licence fee and hotel management fee income	491	–
Reimbursable centralised hotel expenses	133	–
Shui Sing Holding Limited and its subsidiaries		
Rental expenses	300	300
Management fee expense	263	222
Management fee income	132	120
<b>Transactions with associates for the period</b>		
Champion REIT and its subsidiaries		
Interest received on investment in convertible bonds	11,700	11,700
Asset management fee income	99,620	91,786
Marketing service income	6,812	9,162
Property management service income	27,532	25,683
Repairs and maintenance income	2,122	2,089
Rental charges	11,844	11,319
Building management fee expense	2,728	2,609
MGIL and its subsidiaries		
Licence fee and hotel management fee income	1,627	853
Reimbursable centralised hotel expenses	3,307	1,018
Supply procurement and consultancy services income	–	963
<b>Transactions with a jointly controlled entity for the period</b>		
Wealth Joy and its subsidiaries		
Investment management income	5,945	5,929
Project advisory service income	9,560	9,116
Supply procurement and consultancy services income	716	–

## 23. Connected and related party disclosures (continued)

	<b>30 June 2012</b>	31 December 2011
	HK\$'000 (unaudited)	HK\$'000 (audited)
<b>Balances with associates, a jointly controlled entity and related companies as at</b>		
Amounts due from associates (see note 11(c))		
Crucial Investments Limited	23	23
City Apex Limited	12,054	13,192
MGIL and its subsidiaries <sup>†</sup>	268,075	218,523
	<b>280,152</b>	<b>231,738</b>
Amounts due from associates <sup>△</sup> (included in trade debtors under debtors, deposits and prepayments)		
Champion REIT and its subsidiaries	110,496	120,027
MGIL and its subsidiaries	3,152	2,993
	<b>113,648</b>	<b>123,020</b>
Amount due from a jointly controlled entity <sup>△</sup> (included in trade debtors under debtors, deposits and prepayments)		
Wealth Joy and its subsidiaries	46,209	41,654
Amounts due from related companies <sup>△</sup> (included in debtors, deposits and prepayments)		
Sun Fook Kong Holdings Ltd and its subsidiaries	135	616
SOCAM Development Limited and its subsidiaries	81	81
Shui On Land Limited and its subsidiaries	85	124
	<b>301</b>	<b>821</b>
Amounts due to related companies <sup>△</sup> (included in creditors, deposits and accruals)		
Sun Fook Kong Holdings Ltd and its subsidiaries	890	885

<sup>†</sup> The Group had injected to MGIL, including investment cost, a total amount of HK\$455,392,000 as at 30 June 2012 (31 December 2011: HK\$405,841,000).

<sup>△</sup> The amounts are unsecured, interest-free and repayable on demand.

In addition to the above balances with associates, the Group held the Bonds issued by Champion REIT, a listed associate of the Group, details of the Bonds are disclosed in note 14.

## **24. Event after the end of the reporting period**

The Group entered into a sale and purchase agreement in June 2012 for the acquisition of a hotel property in Sydney, Australia from an independent third party subject to the conditions as stipulated in the sale and purchase agreement to be fulfilled before the completion. A deposit was paid during the period and the transaction was completed on 8 August 2012. The hotel, which has a classical image and consists of 96 guest rooms, situates in a suburban area of potential near the Sydney Harbour Bridge and is considered as a top class hotel in Sydney. The Group would refurbish and rebrand the hotel into a Langham brand.



# DEFINITIONS



In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

<b>Term</b>	<b>Definition</b>
“1999 Share Option Scheme”	the former Executive Share Option Scheme of the Company adopted by an ordinary resolution passed on 10 June 1999 and amended by an ordinary resolution passed on 20 December 2001
“2009 Share Option Scheme”	the share option scheme of the Company adopted by an ordinary resolution passed on 27 May 2009
“Bonds”	the 1% guaranteed convertible bonds due 2013 issued by Champion REIT
“CG Code”	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Champion REIT”	Champion Real Estate Investment Trust (Stock Code: 2778), a Hong Kong collective investment scheme authorized under section 104 of SFO, in which the Group has an interest of approximately 51.85% as at 30 June 2012
“Cinderella Media”	Cinderella Media Group Limited (formerly known as Recruit Holdings Limited) (Stock Code: 550), an associate of the Company, the shares of which are listed on the Stock Exchange, in which the Group has an interest of approximately 19.29% as at 30 June 2012
“Code of Conduct for Securities Transactions”	Code of Conduct regarding Securities Transactions by Directors and Relevant Employees of the Company
“Company”	Great Eagle Holdings Limited
“Core profit”	Profit from core business after tax
“EBITDA”	Earning before interest, taxes, depreciation and amortization
“Group”	the Company and its subsidiaries
“HITL”	HSBC International Trustee Limited
“HKAS”	Hong Kong Accounting Standard
“HKFRS”	Hong Kong Financial Reporting Standard
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“JCE”	Jointly controlled entity

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“MGIL”	Magic Garden Investments Limited, a limited company incorporated in the British Virgin Islands and an associate of the Company, in which the Group has an interest of 33.33%
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
“RevPAR”	Revenue per available room
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wealth Joy”	Wealth Joy Holdings Limited, a limited company incorporated in the British Virgin Islands and a jointly controlled entity of the Group



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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