



鷹君集團有限公司  
Great Eagle  
Holdings Limited

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)



INTERIM REPORT 中期報告 2014

## 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", "Langham Place" and "Eaton". Headquartered in Hong Kong, the Group develops, invests in and manages high quality residential, office, retail and hotel properties in Asia, Australasia, North America and Europe.

The Group's principal holdings include a 60.83% interest (as at 30 June 2014) in Champion Real Estate Investment Trust, and a 57.95% interest (as at 30 June 2014) in Langham Hospitality Investments & Langham Hospitality Investments Limited (LHI).

Champion Real Estate Investment Trust owns 1.64 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. As for LHI, it owns three high quality hotels in the heart of Kowloon, the 498-room The Langham, Hong Kong in the prime shopping district of Tsimshatsui, the 666-room Langham Place Hotel, Hong Kong is located in the prime shopping area of Mongkok and is connected to the Langham Place Office Tower and Mall, and the 465-room Eaton, Hong Kong, which is located on the busy arterial Nathan Road.

The Group's development projects include development of a prime residential site in Pak Shek Kok, Tai Po, Hong Kong. The site commands unobstructed sea view and has been earmarked for luxury residential development. Total investment cost for the project will be approximately HK\$7 billion.

In the United States, the Group owns four office buildings with a total floor area of 945,000 square feet. The Group is also active in property management and maintenance services as well as building materials trading.

Langham Hotels International Limited, a wholly-owned subsidiary of the Group, is the hotel manager of an extensive international hotel portfolio that currently comprises twenty-one luxury properties with more than 8,000 rooms, including sixteen luxury hotels branded under The Langham and Langham Place brands in Hong Kong, London, New York, Chicago, Boston, Los Angeles, Sydney, Melbourne, Auckland, Shanghai, Beijing, Shenzhen, Guangzhou, Ningbo and Xiamen; and five Eaton Hotels in Hong Kong, Shanghai, Toronto and New Delhi.

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\$1,680 million in the financial year 2013 and a net asset value (based on share of net assets of Champion Real Estate Investment Trust and LHI) of approximately HK\$58 billion as of 30 June 2014.

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# CORPORATE INFORMATION

## DIRECTORS

LO Ka Shui (*Chairman and Managing Director*)

LO Kai Shui (*Deputy Managing Director*)

LO TO Lee Kwan<sup>#</sup>

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<sup>#</sup>

LO Ying Sui <sup>#</sup>

KAN Tak Kwong (*General Manager*)

<sup>#</sup> 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

Appleby

Clifford Chance

Dentons US LLP

Mayer Brown JSM

Shartsis Friese LLP

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Citibank, N.A.

Hang Seng Bank Limited

The Hongkong and Shanghai

Banking Corporation Limited

## REGISTERED OFFICE

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Hamilton HM12

Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Tel: (852) 2827 3668

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## PRINCIPAL SHARE REGISTRAR

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Pembroke HM08

Bermuda

## BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited

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17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

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## WEBSITE

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## STOCK CODE

41

# DIVIDEND NOTICE AND KEY DATES

## INTERIM DIVIDEND

The Board of Directors of the Company has resolved to declare an interim dividend of HK27 cents per share (2013: HK23 cents per share and a special interim dividend of HK\$1.00 per share) for the six months ended 30 June 2014 (the “2014 Interim Dividend”), payable on 17 October 2014 to the Shareholders whose names appear on the Registers of Members of the Company on Wednesday, 8 October 2014.

## CLOSURE OF REGISTERS OF MEMBERS

The Registers of Members of the Company will be closed from Friday, 3 October 2014 to Wednesday, 8 October 2014, both days inclusive, during which period no transfer of shares will be registered.

In order to qualify for the 2014 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 for registration not later than 4:30 p.m. on Tuesday, 30 September 2014.

## KEY DATES

2014 Interim Results Announcement	:	21 August 2014
Closure of Registers of Members	:	3 October 2014 – 8 October 2014 <i>(both days inclusive)</i>
Record Date for 2014 Interim Dividend	:	8 October 2014
Payment of 2014 Interim Dividend	:	17 October 2014

## FINANCIAL HIGHLIGHTS

	Six Months Ended 30 June		
	2014 HK\$ Million	2013 HK\$ Million	Change
<b>Key Financials on Income Statement</b>			
<b>Based on core business<sup>1</sup></b>			
Revenue based on core business	<b>2,695.6</b>	2,734.1	-1.4%
Core profit after tax attributable to equity holders	<b>965.5</b>	780.2	23.7%
Core profit after tax attributable to equity holders (per share)	<b>HK\$1.47</b>	HK\$1.22	
<b>Based on statutory accounting principles<sup>2</sup></b>			
Revenue based on statutory accounting principles	<b>3,949.2</b>	3,402.7	16.1%
Statutory profit attributable to equity holders	<b>472.8</b>	1,272.3	-62.8%
Interim Dividend (per share)	<b>HK\$0.27</b>	HK\$0.23	
Special Interim Dividend (per share)	<b>n.a.</b>	HK\$1.00	

<sup>1</sup> On the basis of core business, figures excluded fair value changes relating to the Group's investment properties and financial assets, and were based on attributable distribution income from Champion Real Estate Investment Trust (Champion REIT) and Langham Hospitality Investments and Langham Hospitality Investments Limited (LHI), as well as realized gains on financial assets. The management's discussion and analysis focuses on the core profit of the Group.

<sup>2</sup> Financial figures prepared under the statutory accounting principles were based on applicable accounting standards, which included fair value changes and had consolidated financial figures of Champion REIT and LHI.

## FINANCIAL HIGHLIGHTS

	As at the end of	
	June 2014	December 2013
<b>Key Financials on Balance Sheet</b>		
Based on share of Net Assets of Champion REIT and LHI (core balance sheet) <sup>1</sup>		
Net gearing	<b>Net Cash</b>	Net Cash
Book value (per share)	<b>HK\$88.2</b>	HK\$89.6
<b>Based on statutory accounting principles<sup>2</sup></b>		
Net gearing	<b>33.0%</b>	31.8%
Book value (per share)	<b>HK\$76.9</b>	HK\$78.1

<sup>1</sup> The Group's core balance sheet is derived from our share of net assets of LHI. As the hotels owned by LHI are classified as investment properties, the values of these hotels were marked to market. More details about the balance sheet derived from our share of net assets in Champion REIT and LHI are on page 7.

<sup>2</sup> As for the Group's balance sheet prepared under the statutory accounting principles, the entire debts of Champion REIT and LHI were consolidated in aggregate. However, the Group only owns a 60.83% and 57.95% equity stake of Champion REIT and LHI respectively as at the end of June 2014.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CORE PROFIT – FINANCIAL FIGURES BASED ON CORE BUSINESS

	Six Months Ended 30 June		
	2014 HK\$ million	2013 HK\$ million	Change
<b>Revenue from core business</b>			
Gross Rental Income	217.1	155.5	39.7%
Hotels Division*	1,595.9	1,910.7	-16.5%
Management Fee Income from Champion REIT	157.8	141.0	11.9%
Distribution Income from Champion REIT <sup>^</sup>	363.2	331.7	9.5%
Distribution Income from LHI <sup>^</sup>	148.4	21.2	600.5%
Other operations	213.2	174.0	22.5%
	2,695.6	2,734.1	-1.4%
Net Rental Income	134.3	92.4	45.3%
Hotel EBITDA*	202.9	442.9	-54.2%
Management Fee Income from Champion REIT	157.8	141.0	11.9%
Distribution Income from Champion REIT <sup>^</sup>	363.2	331.7	9.5%
Distribution Income from LHI <sup>^</sup>	148.4	21.2	600.5%
Operating income from other operations	94.9	62.8	51.1%
<b>Operating Income from core business</b>	<b>1,101.5</b>	1,092.0	0.9%
Depreciation	(71.1)	(63.6)	11.8%
Administration and other expenses	(145.5)	(147.8)	-1.5%
Other income (including gains on securities)	47.3	2.8	1,552.3%
Interest income	171.4	16.5	940.8%
Finance costs	(81.5)	(60.8)	34.0%
Share of results of associates	10.4	11.1	-5.9%
Share of results of a Joint Venture	(19.0)	(9.6)	99.2%
<b>Core profit before tax</b>	<b>1,013.5</b>	840.6	20.6%
Taxes	(46.8)	(59.8)	-21.8%
<b>Core profit after tax</b>	<b>966.7</b>	780.8	23.8%
<b>Non-controlling interests</b>	<b>(1.2)</b>	(0.6)	93.4%
<b>Core profit attributable to equity holders</b>	<b>965.5</b>	780.2	23.7%

\* In 1H 2013, hotel income from the Hong Kong hotels covered the period from 1 January 2013 to 29 May 2013.

<sup>^</sup> The Group's core profit is based on attributable distribution income from Champion REIT and LHI.



# MANAGEMENT DISCUSSION AND ANALYSIS

## SEGMENT ASSETS AND LIABILITIES (BASED ON NET ASSETS OF CHAMPION REIT AND LHI)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

### 30 June 2014

	Assets HK\$ million	Liabilities HK\$ million	Net Assets HK\$ million
Great Eagle operations (note 1)	31,177.2	7,192.0	23,985.2
Champion REIT (note 2)	38,017.0	10,288.0	27,729.0
LHI (note 2)	10,156.7	4,040.6	6,116.1
	<b>79,350.9</b>	<b>21,520.6</b>	<b>57,830.3</b>

### 31 December 2013

	Assets HK\$ million	Liabilities HK\$ million	Net Assets HK\$ million
Great Eagle operations (note 1)	30,399.3	7,027.3	23,372.0
Champion REIT (note 2)	37,914.5	10,156.5	27,758.0
LHI (note 2)	10,148.8	3,989.9	6,158.9
	<b>78,462.6</b>	<b>21,173.7</b>	<b>57,288.9</b>

Note 1: Included in the assets and liabilities are cash of HK\$8,118.0 million (31 December 2013: HK\$8,893.4 million) and principal debts of HK\$5,100.2 million (31 December 2013: HK\$5,082.4 million), representing net cash of HK\$3,017.8 million as at 30 June 2014.

Note 2: Assets and liabilities of Champion REIT and LHI are based on published results of Champion REIT and LHI, excluding distribution payable attributable from Champion REIT of HK\$363.2 million (31 December 2013: HK\$380.8 million), at the respective interests held by Great Eagle Holdings Limited, being 60.83% and 57.95%, (31 December 2013: 60.35% and 57.72%) respectively. Additionally, the assets of LHI include the hotel properties' appraised value as of 30 June 2014 and 31 December 2013.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL FIGURES BASED ON STATUTORY ACCOUNTING PRINCIPLES

	Six Months Ended 30 June		
	2014 HK\$ million	2013 HK\$ million	Change
<b>Revenue based on statutory accounting principles</b>			
Gross Rental Income	217.1	155.5	39.7%
Hotels Division	2,375.0	2,029.5	17.0%
Management Fee Income from Champion REIT	157.8	141.0	11.9%
Other operations	213.2	174.0	22.5%
Hotel Management fee Income from LHI	37.1	6.9	439.1%
Gross Rental income of Champion REIT	1,155.0	1,058.7	9.1%
Gross Rental income of LHI	368.3	55.8	559.7%
Elimination on Intra-Group transactions	(574.3)	(218.7)	162.6%
<b>Consolidated total revenue</b>	<b>3,949.2</b>	<b>3,402.7</b>	<b>16.1%</b>
Net Rental Income	134.3	92.4	45.3%
Hotel EBITDA	514.1	497.2	3.4%
Net Rental income from Champion REIT	954.5	881.1	8.3%
Operating income from other operations	100.7	68.2	47.6%
<b>Operating Income</b>	<b>1,703.6</b>	<b>1,538.9</b>	<b>10.7%</b>
Depreciation	(240.5)	(186.5)	29.0%
Fair value changes on Invest. properties	(143.8)	794.7	-118.1%
Fair value changes on Derivative Financial Instruments	0.2	308.0	-99.94%
Fair value changes on financial assets designated at FVTPL	(0.1)	-	n.a.
Gain on conversion of convertible bonds of Champion REIT	-	29.3	n.a.
Administration expenses	(154.7)	(173.6)	-11.0%
Other expenses (including exchange difference)	(169.5)	(17.8)	853.6%
Other income (including Interest income)	192.9	30.0	543.3%
Finance costs	(302.7)	(264.9)	14.3%
Share of results of associates	0.8	0.6	20.9%
Share of results of a Joint Venture	(19.0)	(9.6)	99.2%
<b>Statutory profit before tax</b>	<b>867.2</b>	<b>2,049.1</b>	<b>-57.7%</b>
Taxes	(284.7)	(127.2)	123.9%
<b>Statutory profit after tax</b>	<b>582.5</b>	<b>1,921.9</b>	<b>-69.7%</b>
<b>Non-controlling interests</b>	<b>(51.7)</b>	<b>7.3</b>	<b>-810.4%</b>
<b>Non-controlling unitholders of Champion REIT</b>	<b>(58.0)</b>	<b>(656.9)</b>	<b>-91.2%</b>
<b>Statutory profit attributable to equity holders</b>	<b>472.8</b>	<b>1,272.3</b>	<b>-62.8%</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

Going into 2014, the Group continues to forge ahead with its plan to grow its asset base. The Group has won the tender of a prime residential site at Tai Po, Hong Kong in May 2014, and completed the acquisition of a 265-key hotel at downtown Washington, D.C., USA in July 2014. The residential site commands unobstructed seaview over the Tolo Harbour and has been earmarked for luxury residential development, whereas the hotel will be rebranded to one of our Langham brands.

Apart from acquisitions, the Group also expanded its asset-light business. By leveraging on our experienced management team in the U.S., we have set up a U.S. real estate fund. With the Group being the key asset manager of the fund, the Group receives asset management fee income based on the size and performance of the fund.

The initial size of the U.S. fund comprised of the agreed net asset value of the seeded office properties transferred or to be transferred by the Group, which serves as its invested capital, and a committed capital of US\$150 million from a leading asset management company in Mainland China. As additional funding is being raised from other parties, the asset management fee income attributable to the Group will increase.

All-in-all, the combination of increased investments and expanded management fee income businesses had demonstrated our execution capabilities and laid a solid foundation for the Group's future earnings.

As for the first half of 2014, revenue base on core business of the Group reached HK\$2,696 million, and was 1.4% lower than that in the same period last year. The decline was primarily due to a drop in revenue from the Hotels Division, after the spinoff of the Hong Kong hotels to LHI last year. Although the Group booked a distribution income for its equity stake in LHI, and revenue from overseas hotels and other major profit contributing businesses had increased during

the first half, they were not enough to fully offset the revenue previously booked for the Hong Kong hotels.

Despite a drop in revenue, operating income from core business rose by 0.9% year-on-year to HK\$1,102 million during the first half of 2014. The growth in operating income as compared to a decline in revenue was primarily due to increased contributions from distribution income and management income, which have a pass-through effect from revenue to operating income. In addition, there were margin expansions in the Group's other major businesses, which resulted in an overall increase in operating income that was slightly more than offsetting the lower operating income from the Hotels Division.

Despite a modest increase in operating income, the significant increase in interest income on the Group's enlarged cash base that was derived from the spinoff last year, as well as the gains on the Group's securities portfolio being realized, core profit after tax for the first half of 2014 rose by 23.7% year-on-year to HK\$965 million.

The Group booked an interest income of HK\$171 million during the first half of 2014, when compared with HK\$16 million booked in the same period last year. A large portion of the Group's cash holdings were denominated in Renminbi, which generated higher deposit income and part of the cash were invested in other interest income enhancing investments, which led to higher interest income on the Group's enlarged cash holdings. Furthermore, as a minor part of the Group's cash holdings were invested in securities comprising of equities and debts, there was a realized gain booked during the first half, such gain was included under the "other income" item. As the gains had been realized, these gains were included in core profit.

However, interest expense also climbed up during the first half of 2014, which was predominantly due to additional interest expense in relation to acquisitions made in the second half of 2013. Losses from a

## MANAGEMENT DISCUSSION AND ANALYSIS

joint venture also deepened during the first half, given further marketing and administrative expenses incurred for the presale of the residential apartments under a development project in Dalian.

As for the Group's treasury operations, the Group's cash reserve became lower after ramping up its pace in investments during the past months. Under such circumstances, the Group began to scale back its investment in securities since April 2014 as compared with that at the beginning of the year. Of the Group's

cash deposits, a large portion of which had been converted to Renminbi earning higher deposit rates since the second half of last year. Unfortunately, Renminbi experienced an unforeseen depreciation and resulted in an exchange loss in the Group's statutory profit. In order to avoid doubt, such non-realized exchange loss was not included in the Group's core profit for the first half of 2014. Nonetheless, since June 2014, Renminbi had gradually appreciated against the Hong Kong dollar.

### OPERATIONAL REVIEW

#### Hotels Division

#### Hotels Performance

	Average Daily Rooms Available		Occupancy		Average Room Rate (local currency)		RevPar (local currency)	
	1H 2014	1H 2013	1H 2014	1H 2013	1H 2014	1H 2013	1H 2014	1H 2013
The Langham, Hong Kong	485	495	88.0%	85.4%	2,291	2,254	2,017	1,924
Langham Place, Hong Kong	650	652	92.5%	87.7%	1,871	1,846	1,731	1,619
Eaton Hotel, Hong Kong	465	440	95.7%	93.3%	1,178	1,159	1,127	1,082
The Langham, London	380	380	78.5%	76.0%	260	267	204	203
The Langham, Melbourne	388	377	86.0%	85.6%	282	273	242	234
The Langham, Auckland	409	411	80.9%	72.5%	175	184	141	133
The Langham, Sydney	96	96	84.7%	82.9%	297	281	252	233
The Langham, Boston	318	318	77.6%	66.9%	243	243	188	162
The Langham Huntington, Pasadena	380	380	79.0%	72.1%	242	228	191	164
The Langham, Chicago <sup>^</sup>	313	n.a.	51.7%	n.a.	301	n.a.	155	n.a.
Eaton Chelsea Toronto	1,590	1,590	65.9%	69.1%	126	122	83	85
Langham Place, Fifth Avenue, New York <sup>*</sup>	214	n.a.	78.8%	n.a.	487	n.a.	383	n.a.
The Langham, Xintiandi, Shanghai (33.3% owned)	356	356	65.6%	55.3%	1,664	1,729	1,092	957

<sup>^</sup> Opened on 10 July 2013

<sup>\*</sup> Ownership from 25 September 2013

## MANAGEMENT DISCUSSION AND ANALYSIS

	Six Months Ended 30 June		
	2014 HK\$ million	2013 HK\$ million	Change
<b>Hotel Revenue</b>			
Hong Kong	–	656.3	n.a.
Overseas Hotels – Europe	<b>272.1</b>	248.6	9.4%
– North America	<b>826.0</b>	551.0	49.9%
– Australia/New Zealand	<b>414.2</b>	410.4	0.9%
Others (including hotel management income)	<b>83.6</b>	44.4	88.5%
Total Hotel Revenue	<b>1,595.9</b>	1,910.7	–16.4%
<b>Hotel EBITDA</b>			
Hong Kong	–	254.8	n.a.
Overseas Hotels – Europe	<b>55.4</b>	61.0	–9.3%
– North America	<b>21.2</b>	41.9	–49.9%
– Australia/New Zealand	<b>63.2</b>	63.4	–0.5%
Others (including hotel management income)	<b>63.1</b>	21.8	191.7%
Total Hotel EBITDA	<b>202.9</b>	442.9	–54.2%

Hotel income contribution from the Hong Kong hotels for 2013 covered the period from 1 January 2013 to 29 May 2013. The following table restates the figures above by excluding the Hong Kong hotels to provide a more meaningful year-on-year comparisons.

## MANAGEMENT DISCUSSION AND ANALYSIS

<i>Management discussion based on this table, which excluded impact of the spin off hotels</i>	Six Months Ended 30 June		
	<b>2014</b> HK\$ million	2013 HK\$ million	Change
<b>Hotel Revenue</b>			
Overseas Hotels	<b>1,512.3</b>	1,210.0	25.0%
Others (including hotel management income)	<b>83.6</b>	44.4	89.4%
Total Hotel Revenue	<b>1,595.9</b>	1,254.4	27.3%
<b>Hotel EBITDA</b>			
Overseas Hotels	<b>139.8</b>	166.3	-16.2%
Others (including hotel management income)	<b>63.1</b>	21.8	191.7%
Total Hotel EBITDA	<b>202.9</b>	188.1	7.9%

The following discussion is based on figures in the restated table, which excluded the impact from the absence of contribution from the three Hong Kong hotels for the year of 2013, thereby providing a more meaningful year-on-year comparison on the performance of the Hotels Division.

Revenue of the Hotels Division, which comprised of nine overseas hotels and other Hotels Division related business such as hotel management income, delivered a 27.3% year-on-year increase in revenue to HK\$1,595.9 million during the first half of 2014. The increase was primarily due to new revenue contribution from two newly added hotels, The Langham, Chicago and Langham Place, Fifth Avenue, which has begun contributing from the second half of 2013, whereas large increases in management fee income also helped boosted revenue of the Hotels Division.

Except for Eaton Chelsea Hotel, which undertook restoration works that negatively impacted RevPAR achieved by the hotel, the other existing hotels all achieved RevPAR growth in the first half of 2014. As a result, if we exclude the impact of the two new hotels, there was a low single digit revenue growth for the existing hotel portfolio, and the growth would have been higher, if there wasn't a decline in revenue from

Eaton Chelsea Hotel. The increase in other related income under the Hotels Division was primarily due to increased management fee income received from LHI, which had six months of revenue contribution in the first half of 2014, as compared with just around one month of contribution in the first half of 2013.

However, EBITDA of the Hotels Division grew at a much slower rate of 7.9% year-on-year to HK\$202.9 million in the first half of 2014. The increase was primarily due to higher management fee income received, while EBITDA of the overseas hotels had actually declined, as it was hindered by i) increased share of Hotels Division corporate overhead expense, ii) losses incurred at The Langham, Chicago as the hotel is still at ramp up stage and iii) reduced profit at Eaton Chelsea Hotel.

The reason for the increased share of corporate overhead expense under the Hotels Division was due to the smaller revenue of the hotel portfolio after the spinoff of the Hong Kong hotels. The corporate overhead under the Hotels Division is allocated to individual wholly-owned hotels based on their share of revenue achieved. Hence, with fewer hotels absorbing this overhead cost, the share of corporate overhead expense allocated to each wholly-owned hotel increased, as compared with the corresponding period

## MANAGEMENT DISCUSSION AND ANALYSIS

last year. Before the allocation of corporate overhead, EBITDA of the hotel portfolio in Australia and New Zealand would have posted an increase in EBITDA in the first half of 2014.

After the spinoff of the Hong Kong Hotels, the financial returns on the Group's 57.95% equity stake in the three Hong Kong hotels were reflected through our investment in LHI, under the section "Investment in LHI".

### HONG KONG HOTELS

Although the three hotels in Hong Kong were spun off to LHI in May 2013, the following discussion on the operational performance of the hotels was based on six months period from January to June of 2013, thus providing a more meaningful comparative operational performance analysis of the hotels.

#### The Langham, Hong Kong

At The Langham, Hong Kong, the hotel accommodated increased number of individual tourist arrivals from Mainland China, which rose 16.0% year-on-year, and offset reduced demand from other markets. Revenue from F&B saw a decline of 2.1% year-on-year in the first six months of 2014. The decline was due to reduced wedding banquets business, and slower business flow at the restaurant on the first floor, which was being repositioned to cater for a wider audience.

For the first six months of 2014, its occupancy increased by 2.7 percentage points to 88% (1H 2013: 85.4%) while average room rate increased 1.7% year-on-year to HK\$2,291 (1H 2013: HK\$2,254).

#### Langham Place, Hong Kong

For Langham Place Hotel, Hong Kong, among its top arrival markets, there was actually a small single digit increase in arrivals from the Americas and the United Kingdom. In addition to an increase in arrivals from the Mainland China market, the move to accommodate more leisure travellers from other Asian countries helped boost occupancy during the first six months of 2014. Revenue from food and beverage saw an 8.7% year-on-year growth for the first six months of 2014. The hotel hosted more corporate events in the first six months of this year compared with the same period last year.

For the first six months of 2014, occupancy increased by 4.8 percentage points to 92.5% (1H 2013: 87.7%) while average room rate increased 1.4% year-on-year to HK\$1,871 (1H 2013: HK\$1,846).

#### Eaton Hotel, Hong Kong

Eaton, Hong Kong, witnessed the highest increase in arrivals from the Mainland China market amongst the three Hong Kong hotels. In addition to an increase in the number of renovated rooms, the pricing and positioning of the hotel towards budget travellers, also helped brought in more arrivals from other markets. Revenue from food and beverage rose 2.6% year-on-year in the first six months of 2014. Majority of restaurants showed better pickup with increased number of guests, whilst catering was supported by a mix of meetings, conference and weddings business.

For the first six months of 2014, the hotel achieved average occupancy of 95.7% on an average of 465 rooms (1H 2013: 93.3% on an average of 440 rooms) and an average room rate of HK\$1,178 (1H 2013: HK\$1,159).

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERSEAS HOTELS

Year-on-year growths for the overseas hotels below refer to percentage growth in local currencies.

### EUROPE

#### The Langham, London

While The Langham, London saw reduced business from the groups segment over the first half of 2014, the shortfall was more than offset by increased arrivals from the retail leisure travellers. However, the change in guest mix towards retail leisure had diluted average room rates achieved by the hotel, which dropped by 2.6% year-on-year in the first half of 2014. Revenue from food and beverage rose 6% year-on-year during the first half of 2014, as business from the restaurants and catering operations improved, and with more meetings and events activities held.

For the first six months ended June 2014, the hotel achieved occupancy of 78.5% (1H 2013: 76%) and an average room rate of £260 (1H 2013: £267).

### NORTH AMERICA

#### The Langham, Boston

The Langham, Boston benefitted from increased citywide conventions in the second quarter of 2014, which drove corporate arrivals for the hotel. The hotel also had more retail and aircrew businesses during the first half of 2014, which brought a 10.7 percentage points year-on-year increase in occupancy for the hotel during the reporting period. Revenue from food and beverage rose 6% year-on-year during the first half of 2014, the increase of which was mainly driven by improvement in catering business, attributable to more corporate meeting and conference activities held.

For the six months ended June 2014, the hotel achieved average occupancy of 77.6% (1H 2013: 66.9%) and an average room rate of US\$243 (1H 2013: US\$243).

#### The Langham Huntington, Pasadena

The Langham Huntington, Pasadena Hotel benefitted from continuous improvement in the local economy, and witnesses increased arrivals from the corporate groups and leisure business. The hotel managed to deliver a 6% year-on-year in average room rates, while occupancy rose 6.9 percentage points. Revenue from food and beverage rose 17.1% year-on-year during the first half of 2014, which was supported by the resumption of operation of The Royce restaurant throughout the first half, whereas it was closed for renovation in the first quarter of last year. There was also an improvement in other restaurants, as well as from catering business.

For the six months ended June 2014, the hotel achieved average occupancy of 79% (1H 2013: 72.1%) and an average rate of US\$ 242 (1H 2013: US\$228).

#### The Langham, Chicago

As the ramp up phase of The Langham, Chicago was met with extreme weather conditions in the first quarter of 2014, this had further extended the ramp up period for the hotel, with occupancy only reached 51.7% during the first half of 2014. Notwithstanding the above, the hotel incurred a loss for the first half of 2014, although the amount of loss was substantially lower as compared with that booked in the second half of 2013, when pre-opening expense was also booked. Pick up in revenue from food and beverage was also slow during the first half of 2014. Nonetheless, the hotel continues to gain brand recognition and has won several high profile accolades during this year.



## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended June 2014, the hotel achieved average occupancy of 51.7% (on an average of 313 available rooms) and an average rate of US\$301.

### **Langham Place, Fifth Avenue, New York**

Since completion of the acquisition of the Langham Place, Fifth Avenue, New York in September 2013, the demand for its rooms had been steady, which upheld an occupancy of 78.8% for the hotel during the first half of 2014. In particular, there had been strong demand from the leisure business group. It should be noted that Ai Fiori, a Michelin Star restaurant on the first floor of the hotel, is leased to an independent third party for which the hotel collects rental income instead. Revenue from food and beverage for the hotel comprised of revenue from the lounge on the ground floor, and catering business from its meeting and convention facilities.

For the six months ended June 2014, the hotel achieved average occupancy of 78.8% and an average rate of US\$487.

### **Eaton Chelsea Hotel, Toronto**

Throughout the first five months of 2014, restoration works on the room's balconies had impacted occupancy for the hotel, which declined 3.2 percentage points year-on-year during the first six months of 2014. It is worth noting that occupancy rate rose year-on-year in the month of June 2014, following the completion of the restoration works. Other than the impact of the restoration work, the hotel had witnessed healthy growth in arrivals from the leisure and corporate group segment, which helped to lift room rates for the hotel.

For the six months ended June 2014, the hotel achieved average occupancy of 65.9% (1H 2013: 69.1%) and an average rate of C\$126 (1H 2013: C\$122).

## **AUSTRALIA/NEW ZEALAND**

### **The Langham, Melbourne**

Performance at The Langham, Melbourne was underpinned by steady demand from retail and group segment in the first six months of 2014. After the last phase of the room renovation that was completed in third quarter of 2013, the renovated rooms facilitated the hotel to command better rates, which led to an overall 3.3% year-on-year increase in average room rates achieved. Revenue from food and beverage rose 5.8% year-on-year during the first half of 2014, which was attributable by an increase number of guests to the restaurants and improved catering business.

For the six months ended June 2014, the hotel achieved occupancy of 86% on an average of 388 rooms (1H 2013: 85.6% on an average of 377 rooms) and an average rate of A\$282 (1H 2013: A\$273).

### **The Langham, Sydney**

The Langham, Sydney benefitted from buoyant market conditions, and it was able to secure an increased number of high yielding retail travellers, which helped the hotel to deliver a 5.7% increase in average room rates, while occupancy climbed by 1.8 percentage points to 84.7% in the first half of 2014. Revenue from food and beverage rose 15.4% year-on-year during the first half of 2014, which was attributable to number of guest and improvements in their average spending.

In order to further optimize the performance of the hotel, the hotel will be closed for a major renovation from the third quarter through to December of 2014.

For the six months ended June 2014, the hotel achieved occupancy of 84.7% (1H 2013: 82.9%) and an average rate of A\$297 (1H 2013: A\$281).

# MANAGEMENT DISCUSSION AND ANALYSIS

## The Langham, Auckland

As the demand for rooms from the corporate and group segment remained weak during the first six months of 2014, the hotel strategically targeted capturing demand in the retail leisure segment, which helped the hotel to growth its occupancy over by 8.4 percentage points over the period, although the focus to shift to more retail travellers had resulted in a decline in average room rate achieved. Revenue from food and beverage rose 7.8% year-on-year during the first half, as a result of improved business at the Eight restaurant and better catering business, particularly from meetings and conferences activities.

For the six months ended June 2014, the hotel achieved average occupancy of 80.9% (1H 2013: 72.5%) and an average rate of NZ\$175 (1H 2013: NZ\$184).

## CHINA

### The Langham Xintiandi, Shanghai (33.3% owned and share of its results is reflected under share of associates)

Despite tough market conditions, The Langham Xintiandi managed to grow its occupancy by 10.3 percentage points over the first half of 2014. The increase in travellers was mostly from both the corporate and retail segments. However, as overall market remained competitive, average room rates achieved by the hotel dropped by 3.8% year-on-year during the first half of 2014. Revenue from food and beverage rose 9.4% year-on-year during the first half, with a majority of contribution being derived from catering, that was streamed from corporate meetings and conferences.

For the six months ended June 2014, the hotel achieved occupancy of 65.6% (1H 2013: 55.3%) and an average rate of ¥1,664 (1H 2013: ¥1,729).

## HOTEL MANAGEMENT BUSINESS

In the first half of 2014, two long-term hotel management contracts were added to the flourishing portfolio of hotels under management, Langham Place Changsha and The Langham Dubai, Palm Jumeirah, joined as those of third-party hotels managed by our hotel management subsidiary, and brought the number of hotels in our management portfolio to ten hotels with approximately 2,600 rooms as at the end of June 2014. Except for a 33.3% stake in the Langham Xintiandi, the Group has no equity stakes in these hotels.

## ASSET ACQUISITIONS

In July 2014, the Group completed the acquisition of a 265-key hotel in Washington, D.C., USA for US\$72 million, which implied a valuation of US\$0.27 million per key. The hotel is located in the heart of downtown Washington and is close to the White House. Renovation had been planned for the hotel and the hotel will be rebranded under our lifestyle brand that focuses on younger and more socially oriented travellers. The acquisition will further increase the awareness of our hotel brand and cementing our brand as one of leading international hotel brands.

## DEVELOPMENT PROJECTS

### Pak Shek Kok Residential Development Project

In May 2014, the Group successfully won the tender of a prime residential site with a site area of 208,820 sq. ft and a total gross floor area of 730,870 square feet in Pak Shek Kok, Tai Po, Hong Kong. Based on the land cost of HK\$2,412 million for the site, this translated to a price of HK\$3,300 per square foot. The site commands unobstructed sea view of the Tolo Harbour and has been earmarked for luxury residential development with between 500 to 700 residential units. The payment for the land cost was paid in June 2014.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Dalian Mixed-use Development Project

The project is located on Renmin Road in the East Harbour area of Zhongshan District, the CBD of Dalian, Liaoning Province. It has a total gross floor area of approximately 286,000 square metres and comprises 1,200 high-end apartments and a luxury hotel with approximately 360 rooms. The Group has a 50% equity interest in the project and acts as the project manager. As of the end of June 2014, the Group had invested HK\$595 million for its stake in the project.

Since the launch of the pre-sale on Phase 1 of the apartments in September 2013, sale progress has been quite slow during the first half of 2014. Accumulated sales reached 100 units as at the end of June 2014, with an average selling price of approximately RMB23,000 per sq. m. As the sales of the apartments were recognized based on units completed, such

sales and profits on the pre-sales of these apartments will not be booked in our income statement in 2014. Phase 1 of the development is expected to complete in the second half of 2015.

## INCOME FROM CHAMPION REIT

The Group's core profit is based on the attributable distribution income from Champion REIT in respect of the same financial period. On that basis, total income from Champion REIT in the first half of 2014 rose by 10.2% year-on-year to HK\$521 million. With higher asset management income, together with an increase in agency commission income in the first half of 2014, overall management fee income from Champion REIT rose 11.9% to HK\$157.8 million in the first half of 2014. The attributable dividend income from Champion REIT rose 9.5% year-on-year to HK\$363.2 million.

	Six Months Ended 30 June		
	2014 HK\$ million	2013 HK\$ million	Change
Attributable Dividend income	363.2	331.7	9.5%
Management fee income	157.8	141.0	11.9%
<b>Total income from Champion REIT</b>	<b>521.0</b>	472.7	10.2%

## MANAGEMENT DISCUSSION AND ANALYSIS

Although total net property income for Champion REIT improved by 7.2% in the first half of 2014, distribution growth of the REIT grew at a slower rate of 4.7% on higher borrowing costs. Cash finance costs incurred by the REIT increased by HK\$21 million to HK\$139 million. Incremental debt was incurred from the acquisition of additional floors at Citibank Plaza in the second half of 2013.

The following text was extracted from the 2014 interim results announcement of Champion REIT relating to the performance of the REIT's properties.

### Citibank Plaza

Rents at Citibank Plaza have been further reduced to attract new tenants. Asking rents (the rental rate based on lettable floor area quoted for new tenancies) are currently at HK\$75-80 per sq. ft. Passing rents at Citibank Plaza, which are the average rental rate of existing tenancies weighted by floor area, have come down by over HK\$2.50 per sq. ft. to HK\$82.07 per sq. ft. as of June 30 2014. In spite of the lower passing rent, revenue at Citibank Plaza improved 2.3% to HK\$614 million due to income from the newly acquired floors and improved carpark income. At the same time, net building management expenses increased HK\$1.3 million, and net property income was 1.3% lower, at HK\$491 million.

### Langham Place Office Tower

The occupancy rate at the Langham Place Office Tower was maintained at a high level of 98.8% as of 30 June 2014. Asking rents (based on gross floor area) at the Langham Place Office Tower remained unchanged at HK\$38-45 per sq. ft. The passing rent increased from HK\$32.86 at the end of last year to HK\$34.78 as of 30 June 2014. This was a result of higher rent rates achieved on 23% of the floor area subject to new leases during the first half. Revenue increased 15.1% to HK\$159 million, compared to HK\$138 million for the corresponding period in 2013. Net property income at the Office Tower grew 14.3% to HK\$126 million.

### Langham Place Mall

During this period, tenancies representing only 4% of the Mall's floor area were rolled over, resulting in a small increase in the passing rent rate from HK\$144.26 at the end of 2013 to HK\$146.01 per sq. ft. presently. The Mall however enjoyed the follow-on effect of rent rate increases in the second half of 2013. Passing rents at mid-year 2014 were HK\$27 per sq. ft. higher than a year ago, resulting in a significant increase in base-rent income. At the same time, the excellent performance of some cosmetics and accessories retailers contributed to HK\$46.7 million in turnover rent income in the first half of 2014 as compared with HK\$43.4 million for the same period last year. In all, revenue increased 19.3% from HK\$320 million to HK\$381 million and net property income increased by 21.2% from HK\$250 million to HK\$303 million.

### INVESTMENT IN LHI

On statutory accounting basis, our investment in LHI is classified as a subsidiary, and its results are consolidated on the Group's statutory income statement. However, as LHI is principally focused on distributions, the Group's core profit will be derived from the attributable distribution income after the impact of dividend waived, as we believe this will better reflect the financial return and economic interest attributable to our investment in LHI. This entry is also consistent with our practice in accounting for returns from our investment in Champion REIT, which also focuses on distributions. In the first half of 2014, distribution income from LHI came to HK\$148.4 million, which has already taken into account of the distributions waived by the Group. Distribution income is much higher than the HK\$21.2 million booked in the first half of 2013, as LHI was listed on 30 May 2013, therefore, distribution income for the first half of 2013 covered the period from 30 May 2013 to 30 June 2013.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, distribution entitlement in respect of approximately 13% of our holdings in the share stapled units of LHI (before the impact of hotel management fee issued in units and additional share stapled units acquired in the market) will be waived, and the said percentage will drop to approximately 4% in 2017 and all of our holdings are entitled to distributions in 2018.

It was a gesture by the Group, as a major investor of LHI to waive part of its distributions so as to minimise dilution impact on initial yield to other investors. The dilution arose from additional units issued at the time of the initial public offering. The additional capital has been raised to fund asset enhancement initiatives on the initial portfolio, which should help support performance and value of the properties of LHI going forward.

	Six Months Ended 30 June		
	2014 HK\$ million	2013 HK\$ million	Change
Attributable Distribution income	148.4	21.2	600.5%

### INVESTMENT PROPERTIES

	Six Months Ended 30 June		
	2014 HK\$ million	2013 HK\$ million	Change
<b>Gross rental income</b>			
Great Eagle Centre	69.8	69.6	0.4%
Eaton Serviced Apartments	24.7	19.4	27.1%
United States Office Properties	109.1	54.2	101.3%
Others	13.5	12.3	10.2%
	217.1	155.5	39.7%
<b>Net rental income</b>			
Great Eagle Centre	59.8	56.7	5.3%
Eaton Serviced Apartments	16.2	10.3	57.2%
United States Office Properties	57.5	24.5	134.7%
Others	0.8	0.9	-11.1%
	134.3	92.4	45.3%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Great Eagle Centre

Office leasing activities had been slow for the Great Eagle Centre during the first six months of 2014. The slow activities were in part due to limited office sizes available at the Great Eagle Centre, where units available are all less than 2,000 square feet. Although occupancy looked as though it was improved as compared with that reported as of June 2013, the increase in occupancy from 91.7% as of June 2013 to 95.2% as of June 2014 was all due to a reduction of available lettable area, where the Group took up more space to house its hotel management subsidiary. Excluding the owner-occupied portion, office space leased to third parties actually dropped as of June 2014, when compared with June 2013.

Throughout the first six months of 2014, asking rents for the office portion remained stable at between

HK\$60 per sq. ft. to HK\$73 per sq. ft. on lettable floor area, whereas average passing rent for the leased office space at the Great Eagle Centre went from HK\$61.8 per sq. ft. as of June 2013 to HK\$63.8 per sq. ft. as of June 2014.

While the retail space accounted for a smaller portion of lettable floor area at Great Eagle Centre, it benefitted from positive rental reversion, which lifted retail average passing rent to HK\$96.2 per sq. ft. as of June 2014 from HK\$83.1 per sq. ft. as of June 2013. Overall, gross rental income for Great Eagle Centre increased 0.3% to HK\$69.8 million in the first half of 2014, while net rental income increased 5.3% to HK\$59.8 million. The higher growth achieved in net rental income was due to a higher cost base for comparison last year, as increased maintenance capital expenditure was incurred for the building during the first half of 2013.

	<b>As of June 2014 (sq. ft.)</b>	As of June 2013 (sq. ft.)
Office space at Great Eagle Centre		
Total lettable area	<b>173,308</b>	173,308
Space occupied by the Group and its subsidiaries	<b>38,097</b>	25,509
Lettable area used for the calculation of operating statistics (a)	<b>135,211</b>	147,799
Occupancy (b)	<b>95.2%</b>	91.7%
Office space occupied by third parties (a) x (b)	<b>128,721</b>	135,532

	As at the end of		
	<b>June 2014</b>	June 2013	Change
Office (on lettable area)			
Occupancy	<b>95.2%</b>	91.7%	
Average passing rent	<b>HK\$63.8</b>	HK\$61.8	+3.2%
Retail (on lettable area)			
Occupancy	<b>99.4%</b>	99.4%	–
Average passing rent	<b>HK\$96.2</b>	HK\$83.1	+15.7%

## MANAGEMENT DISCUSSION AND ANALYSIS

### Eaton Serviced Apartments

As compared with the first half of last year, when 14% of the rooms at the Wanchai Gap Road property were being converted to guesthouse rooms and reduced the number of available rooms to let, the property had all its rooms available for let in the first half of 2014. In addition to an increased number of available rooms, the converted guesthouse rooms also yielded better, as guesthouse rooms can be rented on a nightly basis rather than monthly basis for serviced apartments, and helped to maximize average passing rents achieved. Therefore, passing rent achieved at the Wanchai Gap Road rose 10.3% from HK\$41.7 per sq. ft. on gross floor area in the first half of 2013 to HK\$46.0 per sq. ft. in the first half of 2014.

As for performances of the other two serviced apartments in Happy Valley, the Village Road property saw an increase in occupancy but average rental rate achieved during the first half of 2014 was flat

as compared with the same period last year. While occupancy also rose at the Blue Pool Road property, average rental rate achieved declined year-on-year in the first half of 2014, as demand for high end apartments was still weak during the first half period. Overall occupancy for the three serviced apartments rose from 65.9% in the first half of 2013 to 76.8% during the first half of 2014.

With primarily strong rental income growth achieved at the Wanchai property, gross rental income for the serviced apartment portfolio rose 27.1% year-on-year to HK\$24.7 million in the first half. With less operating expenses incurred for the Wanchai Gap Road property, net rental income rose 57.2% year-on-year to HK\$16.3 million during the first half of 2014.

Given the success of the converted guesthouse rooms at Wanchai Gap Road, all of the remaining 27 service apartment rooms will also be converted to guesthouse rooms during the third quarter of 2014.

	Six Months Ended 30 June	
	2014	2013
(on gross floor area)		
Occupancy	<b>76.8%</b>	65.9%
Average passing rent	<b>HK\$49.4</b>	HK\$44.8

## MANAGEMENT DISCUSSION AND ANALYSIS

### United States Properties

As mentioned at the beginning of the Management Discussion and Analysis, the Group has set up a U.S. real estate fund. After the transfer of the 500 Ygnacio property to the fund on 20 August 2014, the Group will further transfer two other U.S. office properties when all contingent conditions such as lenders consent have been met. As only one property has been transferred to the fund at time of the fund's first closing, and based on the paid-up capital contributed by our partner, our interest in the fund was 43.7%, as compared with an interest of more than 50%, if all the properties have been transferred to the fund at the time of its first closing. The agreed net asset value for the three properties will represent the Group's invested capital in the fund. Compared with the

three properties of the fund, namely, 500 Ygnacio, 353 Sacramento Street and 123 Mission Street, the only remaining 2700 Ygnacio property possesses relatively less up-side potential upon leases renewal, and therefore, it was decided that 2700 Ygnacio is not appropriate for the fund.

During the first half of 2014, San Francisco remains one of the strongest office markets in the U.S., with continued rising asking rental rates and declining vacancy rates. Spot rents at 353 Sacramento, 500 Ygnacio, and 123 Mission Street all rose to levels above their average passing rents, which should lead to positive rental reversions in the years ahead. However, spot rents at 2700 Ygnacio as of June 2014 were still below its average passing rent. Operating statistics of the portfolio presented in the table below included the newly acquired 123 Mission Street.

	As at the end of	
	June 2014	June 2013
(on net rentable area)		
Occupancy	<b>89.1%</b>	93.3%
Average passing rent	<b>US\$38.0</b>	US\$34.0

Excluding the contribution from 123 Mission Street, which was acquired in November 2013, occupancy of the portfolio would stand at 89.9% as at the end of June 2014 as compared to 93.3% as at the end of June 2013, whereas average passing rent for the portfolio would be US\$34.5 per sq. ft. on net rentable area as of June 2014, as compared with US\$34.0 per sq. ft. as of June 2013.

Overall, gross rental income, which included contribution from 123 Mission Street rose 101.3% to HK\$109.1 million during the first half of 2014, whilst net rental income rose 134.7% to HK\$57.5 million.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Debt

On statutory basis, after consolidating the results of Champion REIT and LHI, the consolidated net debts of the Group as of 30 June 2014 was HK\$16,637 million, an increase of HK\$764 million compared with that as of 31 December 2013. The increase in net borrowings during the period was mainly due to a reduction of cash attributable to the premium paid for land acquisition at Pak Shek Kok offset by cash receipt from redemption of link notes. Cash fund invested in quoted shares, bonds and link notes were not classified as cash on hand.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2014 and the depreciated costs of the Group's hotel properties (including

Hong Kong hotel properties held by LHI), amounted to HK\$50,426 million, representing an increase of HK\$470 million compared to the value of HK\$49,956 million as of 31 December 2013. The increase was mainly attributable to the profit for the period.

For statutory accounting purpose, on consolidation the Group is treated as to include entire debts of Champion REIT and LHI. Based on such statutorily reported consolidated net debts ("Reported Debts") and equity attributable to shareholders, the gearing ratio of the Group as at 30 June 2014 was 33.0%. However, since only 60.83% and 57.95% of the net debts of Champion REIT and LHI respectively are attributable to the Group, and debts of these two separately listed subsidiary groups had no recourse to the Group, we consider it is more meaningful to account for the net debts based on sharing of net assets of listed subsidiaries instead of Reported Debts, and the resulting net cash position is illustrated below.

	Consolidated HK\$ million	Sharing of Net Assets* HK\$ million
Net debt (cash) at 30 June 2014		
Great Eagle	(3,018)	(3,018)
Champion REIT	13,562	–
LHI	6,093	–
Net debts (cash)	16,637	(3,018)
Equity Attributable to Shareholders of the Group	50,426	57,830
Gearing ratio as at 30 June 2014	33.0%	n/a

\* Net debts/(cash) based on the sharing of net assets of the separately listed subsidiary groups.

## MANAGEMENT DISCUSSION AND ANALYSIS

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, principal protected notes with reputable banks and financial institutions as counter-parties and selected quality equities. As at 30 June 2014, the market value of these bonds and notes amounted to HK\$483 million and invested securities amounted to HK\$1,377 million. Should these amounts be taken into account, the consolidated net borrowings and gearing ratio would be reduced to HK\$14,777 million and 29.3% respectively. The net cash based on sharing of net assets of Champion and LHI would be correspondingly increased to HK\$4,878 million.

The following description is based on the statutory consolidated financial statements:

### Indebtedness

Our gross debts (including medium term note) after consolidating Champion REIT and LHI amounted to HK\$26,601 million as of 30 June 2014. Foreign currency gross debts as of 30 June 2014 amounted to the equivalent of HK\$6,801 million, of which the equivalent of HK\$4,193 million or 62% was on fixed-rate basis.

### Finance Cost

The net consolidated finance cost incurred during the period was HK\$157.1 million. Overall interest cover at the reporting date was 10.1 times.

### Liquidity and Debt Maturity Profile

As of 30 June 2014, our cash, bank deposits and undrawn loan facilities amounted to a total of HK\$10,714 million. The majority of our loan facilities are secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 30 June 2014:

Within 1 year	0.6%
1-2 years	44.2%
3-5 years	43.6%
Over 5 years	11.6%

### Pledge of Assets

At 30 June 2014, properties of the Group with a total carrying value of approximately HK\$58,147 million (31 December 2013: HK\$57,509 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.

### Commitments and Contingent Liabilities

At 30 June 2014, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided for in these consolidated financial statements amounting to HK\$192 million (31 December 2013: HK\$104 million) of which HK\$100 million (31 December 2013: HK\$77 million) was contracted for.

At 30 June 2014, the Group has outstanding financial commitment in respect of capital injection to a joint venture of RMB25.8 million (equivalent to HK\$33 million) (31 December 2013: RMB25.8 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

On 15 April, 2014, the Group entered into two Cooperation Agreements with China Orient Asset Management (International) Holding Limited in relation to the formation of the China Investment Fund (“China Fund”) and the U.S. Real Estate Fund (“U.S. Fund”). The total capital commitment (in form of respective cash and injection of the properties) of the Group in the China Fund and the U.S. Fund will be approximately US\$110 million and US\$230 million respectively. Formation of China Fund was completed on 4 June 2014. Both Funds have not yet called for capital injection by the end of the reporting period.

On 30 May 2014, the Group signed a sale and purchase agreement for the acquisition of a hotel property located at Washington D.C., USA at the final consideration of US\$71.625 million. Deposit of US\$12.5 million was paid by the end of the reporting period. Closing was completed on 15 July 2014.

Subsequent to the end of the reporting period, the Group decided to invest, effectively as a limited partner, US\$50 million in the fund managed by the experienced Redwood Peak Partners (the “Fund”). In addition to the limited partner interest, the Group had also obtained a 25% equity stake in the general partner vehicle managing the Fund and is therefore entitled to share in future management and/or performance fees earned by the general partner vehicle. Closing of the subscription was completed on 30 July 2014. Since the transaction constituted a connected transaction under the Listing Rules, a separate announcement containing relevant details was issued by the Group on the same day.

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

### OUTLOOK

The government in China recently announced a number of initiatives to bring forward infrastructure spending and monetary stimulus. This will help to sustain the economic growth in China against the fear for a rapid slowdown, which will boost confidence for the coming future. More recent releases of data in USA demonstrated that labour market performed in a positive manner. This, coupled with the comments made by the Chairlady of USA Federal Reserve that stimulus is still required, should help to ensure U.S. economic recovery remains intact. In Europe, although problems at a Portuguese bank had sparked concerns about a new debt crisis, it appeared to be an isolated credit case. As the economic growth rates around the world are moving into a positive territory, this should support the Group’s businesses for the rest of the year.

In the second half of 2014, distributions and hotel management incomes from LHI will primarily depend on RevPAR growth for the Hong Kong hotels. For the three hotels owned by LHI, they have all witnessed an increase in RevPAR in the first six weeks of the second half of 2014.

In terms of the outlook for the overseas hotels, our hotels in the U.S. should benefit from further recovery of the U.S. economy. Performance of The Langham Chicago should pick up as the brand continues to penetrate the market. As the balconies restoration works completed in June 2014, this would help to lift earnings of the Eaton Chelsea Hotel in Toronto during the second half of 2014. For the hotel in London, we are cautiously optimistic, given improving economic conditions in the U.K, whilst the performance of the hotels in Australasia should be steady. Although The Langham Sydney will be closed for major renovation from August to November 2014, the profit contribution of the hotel to the Australasia hotel portfolio is relatively small.

## MANAGEMENT DISCUSSION AND ANALYSIS

For Champion REIT, rental growth at Langham Place should continue to be strong in the second half of 2014. However, rental income from Citibank Plaza is expected to weaken in the fourth quarter of 2014. Moreover, as there were new bank loans arranged in May, higher interest costs were incurred. With a higher effective tax rate in the second half of 2014, this will act to reduce the distribution for the same period. Hence, DPU for the second half of 2014 may be lower than that for the same period of 2013.

Although we expect global economic growth to sustain, volatility is still noteworthy. With global geopolitical crisis heightening, the Group is well positioned and alerted to prepare for an abrupt downturn should it arises. Nonetheless, going forward, the Group will continue to execute its acquisition plan, where we have been evaluating a number of possible investment opportunities. The Group is targeting to close on those projects that will either be accretive to the Group's net asset value or expected to have a synergistic effect on our current businesses.

### **Lo Ka Shui**

*Chairman and Managing Director*

Hong Kong, 21 August 2014

## DIRECTORS' BIOGRAPHICAL INFORMATION

### **DR. LO KA SHUI**

Chairman and Managing Director

Dr. LO Ka Shui, aged 67, has been a member of the Board since 1980. He is the Chairman, Managing Director, a member of the Finance Committee and a director of various subsidiaries of the Company. He is the Chairman and a Non-executive Director of Eagle Asset Management (CP) Limited (Manager of Champion Real Estate Investment Trust), LHIL Manager Limited (as Trustee-Manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited. Dr. Lo is an Independent Non-executive Director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile Limited and City e-Solutions Limited. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, a Vice Chairman of The Chamber of Hong Kong Listed Companies and a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years of experience in property and hotel development and investment both in Hong Kong and overseas. Dr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and a younger brother of Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

### **MR. LO KAI SHUI**

Executive Director and Deputy Managing Director

Mr. LO Kai Shui, aged 54, has been a member of the Board since 1984. He is the Deputy Managing Director, a member of the Finance Committee and a director of various subsidiaries of the Company. Mr. Lo is also a Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and the founder of Sun Fook Kong Group Limited. He has more than 30 years of property development and investment, and building construction experience and has been involved in numerous construction projects both in public and private sectors. Mr. Lo graduated from Columbia University with a Bachelor's Degree in Engineering. He is a son of Madam Lo To Lee Kwan, and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

### **MADAM LO TO LEE KWAN**

Non-executive Director

Madam LO TO Lee Kwan, aged 94, has been a Director of the Group since 1963. She was an Executive Director of the Company prior to her re-designation as a Non-executive Director of the Company in December 2008. She is the wife of Mr. Lo Ying Shek, the late chairman of the Company, and is the co-founder of the Group. She actively involved in the early stage development of the Group. She is the mother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

## DIRECTORS' BIOGRAPHICAL INFORMATION

### **MR. CHENG HOI CHUEN, VINCENT**

Independent Non-executive Director

Mr. CHENG Hoi Chuen, Vincent, aged 66, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1994 and is the Chairman of the Audit Committee and members of the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheng is an Independent Non-executive Director of China Minsheng Banking Corp., Ltd., MTR Corporation Limited, Hui Xian Asset Management Limited (Manager of the publicly listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, Shanghai Industrial Holdings Limited, Wing Tai Properties Limited and Hutchison Whampoa Limited. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Company Limited and a former Executive Director of HSBC Holdings plc. Mr. Cheng is a Vice Patron of Community Chest of Hong Kong and a member of the Advisory Committee on Postservice Employment in Civil Servants. In 2008, Mr. Cheng was appointed a member of the National Committee of the 11th Chinese People's Political Consultative Conference ("CPPCC") and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. He graduated from The Chinese University of Hong Kong with Bachelor of Social Science Degree in Economics and from The University of Auckland with a Master's Degree in Philosophy (Economics).

### **PROFESSOR WONG YUE CHIM, RICHARD**

Independent Non-executive Director

Professor WONG Yue Chim, Richard, aged 62, is an Independent Non-executive Director of the Company. He has been a Director of the Group since 1995 and is the Chairman of the Nomination Committee and members of the Audit Committee and the Remuneration Committee of the Company. Professor Wong is Chair of Economics at The University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region. Professor Wong is an Independent Non-executive Director of CK Life Sciences Int'l., (Holdings) Inc., Orient Overseas (International) Limited, Pacific Century Premium Developments Limited, and Sun Hung Kai Properties Limited, all of which are companies whose shares are listed on the Stock Exchange. Professor Wong is also an Independent Non-executive Director of The Link Management Limited (Manager of the publicly listed The Link Real Estate Investment Trust) and Industrial and Commercial Bank of China (Asia) Limited.

## DIRECTORS' BIOGRAPHICAL INFORMATION

### **MRS. LEE PUI LING, ANGELINA**

Independent Non-executive Director

Mrs. LEE Pui Ling, Angelina, aged 65, was appointed as an Independent Non-executive Director of the Company in 2002 and is the Chairman of the Remuneration Committee and members of the Audit Committee and Nomination Committee of the Company. She is a practicing solicitor in Hong Kong and a partner of the firm of solicitors, Woo, Kwan, Lee & Lo. She is also a Non-executive Director of Cheung Kong Infrastructure Holdings Limited, Henderson Land Development Company Limited and TOM Group Limited. She is active in public service and is a Member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority and a Member of the Takeovers and Mergers Panel of the Securities and Futures Commission. She has a Bachelor of Laws Degree from University College London, United Kingdom and is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

### **MR. ZHU QI**

Independent Non-executive Director

Mr. ZHU Qi, aged 54, was appointed as an Independent Non-executive Director of the Company in August 2009 and is a member of the Audit Committee of the Company. Mr. Zhu is an Executive Director and Chief Executive of Wing Lung Bank Limited. He has over 26 years of banking experience. From 2000 to July 2008, he had been the Managing Director and Chief Executive Officer of Industrial and Commercial Bank of China (Asia) Limited, the Chairman of Chinese Mercantile Bank and a Director of ICBC (Asia) Bullion Company Limited, ICBC (Asia) Nominee Limited and ICBC (Asia) Asset Management Company Limited. Mr. Zhu also had been a Director of China

Ping An Insurance (Hong Kong) Company Limited, the Deputy Chairman of ICEA Finance Holdings Limited, the Chairman of Industrial and Commercial International Capital Limited and a Director of The Tai Ping Insurance Company, Limited. He graduated with a Bachelor's Degree from Dongbei University of Finance and Economics, and a Master's Degree in Economics from the Zhongnan University of Finance and Economics in 1986.

### **MR. LO HONG SUI, ANTONY**

Executive Director

Mr. LO Hong Sui, Antony, aged 72, is an Executive Director and a director of various subsidiaries of the Company. He has been a Director of the Group since 1967. Mr. Lo has been actively involved in property development, construction and investment for more than 45 years. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui, and a younger brother of Madam Law Wai Duen.

### **MADAM LAW WAI DUEN**

Executive Director

Madam LAW Wai Duen, aged 77, is an Executive Director and a director of certain subsidiaries of the Company. She has been a Director of the Group since 1963. Madam Law graduated from The University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for more than 49 years. Madam Law is a daughter of Madam Lo To Lee Kwan, and an elder sister of Dr. Lo Ka Shui, Mr. Lo Kai Shui, Mr. Lo Hong Sui, Antony, Mr. Lo Hong Sui, Vincent and Dr. Lo Ying Sui.

## DIRECTORS' BIOGRAPHICAL INFORMATION

### **MR. LO HONG SUI, VINCENT**

Non-executive Director

Mr. LO Hong Sui, Vincent, aged 66, has been a Director of the Group since 1970. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. He is also the Chairman of the Shui On Group which he founded in 1971. The Shui On Group is principally engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of SOCAM Development Limited and Shui On Land Limited, both of which are listed on the Stock Exchange, and the Chairman of China Xintiandi Limited, a wholly owned subsidiary of Shui On Land Limited. He is also a Non-executive Director of Hang Seng Bank Limited. Mr. Lo is also the Chairman of the Board of Airport Authority Hong Kong and a non-official member of Lantau Development Advisory Committee of the Hong Kong Government. Mr. Lo is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui and Dr. Lo Ying Sui, and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony and Madam Law Wai Duen.

### **DR. LO YING SUI**

Non-executive Director

Dr. LO Ying Sui, aged 62, has been a Director of the Group since 1993. He was an Executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in December 2008. With a Doctor of Medicine Degree from the University of Chicago, he is a specialist in Cardiology and a Clinical Associate Professor (honorary) at The Chinese University of Hong Kong Faculty of Medicine. He is a son of Madam Lo To Lee Kwan and an elder brother of Mr. Lo Kai Shui, and a younger brother of Dr. Lo Ka Shui, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen and Mr. Lo Hong Sui, Vincent.

### **MR. KAN TAK KWONG**

Executive Director and General Manager

Mr. KAN Tak Kwong, aged 62, is an Executive Director and the General Manager, a member of the Finance Committee and a director of various subsidiaries of the Company. Mr. Kan joined the Group in 1981 and was appointed a Director in 1988. He graduated from The Chinese University of Hong Kong with a Master's Degree in Business Administration and is a member of various professional bodies including the Hong Kong Institute of Certified Public Accountants. Mr. Kan has more than 38 years' experience in finance, accounting and administration in the real estate, finance and construction industries.



## DIRECTORS' BIOGRAPHICAL INFORMATION

### DIRECTORS' REMUNERATION

A Director is entitled to receive a Director's fee of HK\$130,000 for the year ending 31 December 2014. The Director's fee had been approved by Shareholders at the 2014 Annual General Meeting. During the six months ended 30 June 2014, there was no change in the components of Directors' remuneration which comprises fix and variable elements. The remuneration packages of the Directors were determined by the Remuneration Committee with reference to the time

and effort involved in his/her specific duties and services, and the prevailing market conditions.

On 27 February 2014, 1,230,000 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 option value in respect of the aforesaid options are accounted for over the vesting period as non-cash emoluments of the respective Executive Directors:

Name of Executive Directors	Number of Options	Option Value* (HK\$)
Lo Ka Shui ( <i>Chairman and Managing Director</i> )	630,000	3,187,800
Lo Kai Shui ( <i>Deputy Managing Director</i> )	100,000	506,000
Lo Hong Sui, Antony	100,000	506,000
Law Wai Duen	100,000	506,000
Kan Tak Kwong ( <i>General Manager</i> )	300,000	1,518,000

\* Further details of the share options are set out in note 29 to the Condensed Consolidated Financial Statements on page 82 of this interim report.

Save as otherwise set out in this interim report, there are no specific issues that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

# GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

## CORPORATE GOVERNANCE POLICIES AND PRACTICES

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 will from time to time 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 and mandatory disclosure requirements as set out in the CG Code, except the following deviations 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 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. 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 and three Non-executive Directors. Meanwhile, the day-to-day management and operation of the Group are delegated to

divisional management under the leadership and supervision of Dr. Lo in the role of Managing Director who is supported by Mr. Lo Kai Shui, as the Deputy Managing Director, and Mr. Kan Tak Kwong, as the General Manager.

- *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. Notwithstanding that Dr. Lo is not subject to retirement by rotation, Dr. Lo

## GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

has disclosed his biographical details in accordance with Rule 13.74 of the Listing Rules in the general mandate annually for Shareholders' information.

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

Remuneration details of senior management are highly sensitive and confidential. Over-disclosure of such information may induce inflationary spiral and undesirable competition which in turn is detrimental to the interests of the Shareholders. The Board considers that our current approach in 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.

The Board of Directors assumes responsibility for leadership and control of the Group and is collectively responsible for promoting the success of the Company. It plays a central support and supervisory role in the Company's corporate governance duties. The governance framework of the Company is constituted by the Statement of Corporate Governance Practice of the Company. The Statement is reviewed from time to time in light of the latest statutory requirements and governance practice. It serves as an ongoing guidance for the Directors in performing and fulfilling their respective roles and obligations to the Company. The Board is also responsible for overseeing the management and operation of the Group and is ultimately accountable for the Group's activities, strategies and financial performance. The Company has in place a comprehensive set of compliance policies and procedures which set out the key processes, systems and measures used to implement this corporate governance framework, including:

- Schedule of Matters Reserved for the Board of Directors
- Code of Conduct regarding Securities Transactions by Directors and Relevant Employees
- Policy on the Preservation and Prevention of Misuse of Inside Information
- Reporting and Monitoring Policy on Connected Transactions
- Shareholders' Communication Policy
- Employee's Code of Conduct

The Board is responsible for reviewing overall corporate governance arrangements to ensure that such arrangements remain appropriate to the needs of the Company.

### CORPORATE SOCIAL RESPONSIBILITY

Our CSR vision "Create Value, Improve Quality of Life" is based on our belief that CSR will create long-term value for our customers, partners, investors, employees and community. We pursue this by embracing opportunities and managing risks derived from economic, environmental and social developments, and making informed decisions by engaging with our stakeholders. At the same time, as this business approach improves the quality of life in our workplace as well as the local community and the world at large, all employees are required to have high level of CSR awareness and involvement. To achieve this, we strive to embed CSR into our organisational culture through internal and external promotion, communication, education and engagement. We aim to integrate our CSR commitments into all of our operations. A Corporate Social Responsibility Policy was established by the Group in 2012. This policy defines our

## GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

commitments to CSR, which are in line with the seven core subjects specified in ISO 26000 – Guidance on Social Responsibility. Our efforts in CSR are reflected in being selected as a constituent member of Hang Seng Corporate Sustainability Benchmark Index since its inception in 2011.

### WORKFORCE SUSTAINABILITY

We recognize the importance of workforce sustainability which is about retaining and attracting right people to meet current and future business requirements. We offer competitive salary to the employees 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. As at 30 June 2014, the Group had 5,665 employees.

We believe that the provision of opportunities for training and development is an important component to attract and retain staff. Ever since 2012, the corporate culture of applying the best practices from “The 7 Habits of Highly Effective People” program and adopting innovative approaches at work has continuously been cultivated. We raise staff awareness through different channels such as training programs, promotional items, forming committee and intranet for staff to express their ideas. In 2013, the Group has further promoted the innovation culture through establishing an on-line platform of Great Eagle Innovation Portal to facilitate exchange of innovative ideas among staff and Business Units/Departments. Besides, the Group has also developed external and in-house designed training programmes in supervisory, management, soft skills as well as technical skills training. Focusing on talent management through training & development, succession planning and mentoring program further strengthens the Group’s organizational agility. The organization strategies are

sustainable due to staff involvement and management support. Since strategic alignment plays an important role in organizational development, various strategic planning initiatives will be organized to ensure business objectives are achieved.

Our Hotel Division continues to create a diversified, multifacet development platform for our colleagues. Apart from the around-the-year training calendar, a targeted programme for department heads and executives named APEX “Advanced Programme for Executives” is continued to equip them with essential knowledge, skills and experiences to take up next level or more challenging roles in the future. Colleagues participating in APEX gained various development opportunities, such as targeted work assignments, eCornell training on leadership and hospitality topics and mentor arrangement. Our Hotel Division successfully renewed the Manpower Developer Scheme by the Employee Retraining Board and is continued to be acknowledged as “Manpower Developer 1st.” from 2012 to 2014. Both Eaton Hotel Hong Kong and Langham Place Hotel Hong Kong are awarded by the Hong Kong Council of Social Services as Barrier-free Company 2013-14. Langham Place Hotel is also recognized by Family Council as Distinguished Family-Friendly Employer 2013-14.

“Innovation” is one of the key strategies to build a resilient, engaged and high performing workforce of the Hotel Division. An electronic platform, “THINK PINK” is established for all colleagues to share their ideas. Each June, all hotels globally participated in the annual Think Pink Festival, to engage the guests and colleagues celebrating the Langham’s innovation initiatives. The Annual Think Pink Ideas Awards this year is to invite the colleagues around the globe to contribute ideas on “How do we create the most unforgettable in-room experience?”. The award aims at encouraging all hotel colleagues to think out of the box and bringing higher guest satisfaction and loyalty.

# GOVERNANCE, COMPLIANCE AND CORPORATE SOCIAL RESPONSIBILITY

## 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 2014.

## REVIEW OF INTERIM RESULTS

The unaudited financial statements for the six months ended 30 June 2014 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.

## NEW SHARES ISSUED

As at 30 June 2014, the total number of issued shares of the Company was 655,736,451. As compared with the position of 31 December 2013, a total of 16,460,487 new shares were issued during the period. These new shares comprise the following:

- During the period, 754,000 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\$15,421,760.
- On 18 June 2014, a total of 15,706,487 new shares at a price of HK\$26.44 per share were issued to the Shareholders who had elected to receive scrip shares under the Scrip Dividend Arrangement in respect of the 2013 final dividend and special final dividend.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

## 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.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2014, 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:

### 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>(7)</sup>
	Personal interests	Family interests	Corporate interests	Trust interests			
Lo Ka Shui	58,150,205	–	3,790,117 <sup>(1)</sup>	300,929,549 <sup>(2)</sup>	1,888,000	364,757,871	55.63
Lo Kai Shui	339,508	–	661,625 <sup>(3)</sup>	219,141,330 <sup>(4)</sup>	500,000	220,642,463	33.65
Lo To Lee Kwan	1,034,482	–	4,749,701 <sup>(5)</sup>	219,141,330 <sup>(4)</sup>	–	224,925,513	34.30
Cheng Hoi Chuen, Vincent	–	10,000	–	–	–	10,000	0.00
Wong Yue Chim, Richard	10,000	–	–	–	–	10,000	0.00
Lo Hong Sui, Antony	188,532	–	–	219,141,330 <sup>(4)</sup>	575,000	219,904,862	33.54
Law Wai Duen	1,299,716	–	–	219,141,330 <sup>(4)</sup>	400,000	220,841,046	33.68
Lo Hong Sui, Vincent	293	–	–	219,141,330 <sup>(4)</sup>	–	219,141,623	33.42
Lo Ying Sui	1,500,000	–	35,628,206 <sup>(6)</sup>	219,141,330 <sup>(4)</sup>	–	256,269,536	39.08
Kan Tak Kwong	1,313,380	–	–	–	1,400,000	2,713,380	0.41

Notes:

(1) These interests were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also a director of these companies.

(2) These 300,929,549 shares comprise:

(i) 219,141,330 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 among the discretionary beneficiaries; and

(ii) 81,788,219 shares owned by another discretionary trust of which Dr. Lo Ka Shui is the founder.

## DISCLOSURE OF INTERESTS

- (3) These 661,625 shares comprise 553,713 shares held by certain companies wholly-owned by Mr. Lo Kai Shui and 107,912 shares held by a company controlled by him. Mr. Lo Kai Shui is also a director of these companies.
- (4) These shares are the same parcel of shares referred to in Note (2)(i) above.
- (5) These 4,749,701 shares were held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of one of these companies.
- (6) These 35,628,206 shares were held by a company wholly-owned by Dr. Lo Ying Sui who is also a director of this company.
- (7) This percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2014 of 655,736,451 shares.

### Long positions in shares and underlying shares of associated corporations of the Company

#### Champion Real Estate Investment Trust (“Champion REIT”)

Champion REIT (Stock Code: 2778), a Hong Kong collective investment scheme authorized under

section 104 of SFO, is accounted for as a subsidiary of the Company. As at 30 June 2014, the Group owned 60.83% interests in Champion REIT. While the definition of “associated corporation” under the SFO caters only to corporations, for the purpose of enhancing the transparency, the interests of the Directors or chief executives of the Company in Champion REIT as at 30 June 2014 are disclosed as follows:

Name of Director	Number of Units				Total	Percentage of issued units <sup>(3)</sup>
	Personal interests	Family interests	Corporate interests	Other interests		
Lo Ka Shui	–	–	829,000 <sup>(1)</sup>	6,200,000 <sup>(2)</sup>	7,029,000	0.12%

Notes:

- (1) These units were held by certain companies wholly-owned by Dr. Lo Ka Shui who is also the director of these companies.
- (2) These interests were held by a charitable trust. Dr. Lo is the settlor and a member of the Advisory Committee and Management Committee of the trust.
- (3) This percentage has been compiled based on the total number of units of Champion REIT in issue as at 30 June 2014 of 5,729,286,097 units.

## DISCLOSURE OF INTERESTS

### Langham Hospitality Investments and Langham Hospitality Investments Limited ("LHI")

LHI (Stock Code: 1270), the share stapled units of which are listed on the Stock Exchange. As at 30 June

2014, the Group owned 57.95% interests in LHI and is therefore a subsidiary of the Company. The holdings of the Directors or chief executives of the Company in LHI as at 30 June 2014 are disclosed as follows:

Name of Director	Number of Share Stapled Units ("SSUs")				Number of Underlying SSUs	Total	Percentage of issued SSUs <sup>(3)</sup>
	Personal interests	Family interests	Corporate interests	Other interests			
Lo Ka Shui	-	-	1,000,000 <sup>(1)</sup>	-	-	1,000,000	0.05%
Lo To Lee Kwan	-	-	306,177 <sup>(2)</sup>	-	-	306,177	0.02%
Law Wai Duen	280,000	-	-	-	-	280,000	0.14%
Wong Yue Chim, Richard	150,000	-	-	-	-	150,000	0.01%

Notes:

- (1) These share stapled units were held by a company wholly-owned by Dr. Lo Ka Shui who is also a director of this company.
- (2) These share stapled units were held by certain companies wholly-owned by Madam Lo To Lee Kwan who is also a director of one of these companies.
- (3) This percentage has been compiled based on the total number of share stapled units of LHI in issue as at 30 June 2014 of 2,012,373,688 share stapled units.



## DISCLOSURE OF INTERESTS

### Cinderella Media Group Limited (“Cinderella Media”)

Cinderella Media (Stock Code: 550), the shares of which are listed on the Stock Exchange, in which the Group indirectly owned 18.76% interests in its issued share capital as at 30 June 2014. It is an associate

of the Company as the Group is able to exercise significant influence over Cinderella Media through its shareholding in City Apex Limited which holds over 50% equity interests in Cinderella Media. The shareholdings of the Directors or chief executives of the Company in Cinderella Media as at 30 June 2014 are disclosed as follows:

Name of Director	Number of Shares				Number of Underlying Shares	Total	Percentage of issued shares <sup>(1)</sup>
	Personal interests	Family interests	Corporate interests	Other interests			
Lo Ka Shui	150,000	–	–	–	–	150,000	0.04%

Note:

(1) This percentage has been compiled based on the total number of shares of Cinderella Media in issue as at 30 June 2014 of 333,634,000 shares.

### Magic Garden Investments Limited (“MGIL”)

MGIL, a limited company incorporated in the British Virgin Islands, is an associate of the Company, in which the Group owned 33.33% interests in its issued share capital as at 30 June 2014. 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 and his associates were together entitled to control the exercise of more than 30% voting power at general meetings of Shui On Land Limited.

Save as disclosed above, as at 30 June 2014, 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.

# DISCLOSURE OF INTERESTS

## SHARE OPTION SCHEMES

In accordance with the 2009 Share Option Scheme of the Company, the Board of Directors may grant options to eligible employees, including Executive Directors of the Company and its subsidiaries, to subscribe for shares in the Company.

As at 30 June 2014, there was no outstanding share option of the Company which was granted under the

1999 Share Option Scheme or any other share option schemes previously adopted by the Company.

During the six months ended 30 June 2014, 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				Outstanding as at 30/06/2014	Exercise period	Exercise price per share (HK\$)
	Outstanding as at 01/01/2014	Grant during the period	Exercised during the period	Lapsed during the period			
08/01/2009 <sup>(1)</sup>	218,000	–	(170,000)	(48,000)	–	09/01/2011–08/01/2014	9.34
04/03/2010 <sup>(2)</sup>	864,500	–	(47,000)	(22,000)	795,500	05/03/2012–04/03/2015	22.80
07/03/2011 <sup>(2)</sup>	1,621,000	–	(102,000)	(24,000)	1,495,000	08/03/2013–07/03/2016	26.18
08/03/2012 <sup>(2)</sup>	2,921,000	–	(435,000)	(41,000)	2,445,000	09/03/2014–08/03/2017	23.20
06/06/2013 <sup>(2)</sup>	3,166,000	–	–	(121,000)	3,045,000	07/06/2015–06/06/2018	31.45
27/02/2014 <sup>(2)</sup>	–	3,537,000 <sup>(3)</sup>	–	(29,000)	3,508,000	28/02/2016–27/02/2019	26.05
17/03/2014 <sup>(2)</sup>	–	300,000 <sup>(3)</sup>	–	–	300,000	18/03/2016–17/03/2019	27.55
<b>Total</b>	<b>8,790,500</b>	<b>3,837,000</b>	<b>(754,000)</b>	<b>(285,000)</b>	<b>11,588,500</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 2014, 1,230,000 and 2,607,000 share options were granted to the Directors and employees of the Group respectively.
- (4) During the six months ended 30 June 2014, no share option was 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 27 February 2014, i.e. 26 February 2014 was HK\$25.40.
- (8) The closing price of the shares of the Company immediately before the date of grant of 17 March 2014, i.e. 14 March 2014 was HK\$27.00.

## DISCLOSURE OF INTERESTS

During the six months ended 30 June 2014, the details of the movements in the share options granted to Directors of the Company (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 30/06/2014	Exercise price per share (HK\$)	Weighted average closing price immediately before the date of exercise (HK\$)
		Outstanding as at 01/01/2014	Grant during the period	Exercised during the period	Lapsed during the period			
<b>Directors</b>								
Lo Ka Shui	08/03/2012 <sup>(2)</sup>	628,000	-	-	-	628,000	23.20	N/A
	06/06/2013 <sup>(2)</sup>	630,000	-	-	-	630,000	31.45	N/A
	27/02/2014 <sup>(2)</sup>	-	630,000 <sup>(8)</sup>	-	-	630,000	26.05	N/A
		1,258,000	630,000	-	-	1,888,000		
Lo Kai Shui	08/01/2009 <sup>(1)</sup>	125,000	-	(125,000)	-	-	9.34	26.50
	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
	06/06/2013 <sup>(2)</sup>	100,000	-	-	-	100,000	31.45	N/A
	27/02/2014 <sup>(2)</sup>	-	100,000	-	-	100,000	26.05	N/A
		525,000	100,000	(125,000)	-	500,000		
Lo Hong Sui, Antony	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
	06/06/2013 <sup>(2)</sup>	100,000	-	-	-	100,000	31.45	N/A
	27/02/2014 <sup>(2)</sup>	-	100,000	-	-	100,000	26.05	N/A
		475,000	100,000	-	-	575,000		
Law Wai Duen	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
	06/06/2013 <sup>(2)</sup>	100,000	-	-	-	100,000	31.45	N/A
	27/02/2014 <sup>(2)</sup>	-	100,000	-	-	100,000	26.05	N/A
		300,000	100,000	-	-	400,000		
Kan Tak Kwong	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
	06/06/2013 <sup>(2)</sup>	300,000	-	-	-	300,000	31.45	N/A
	27/02/2014 <sup>(2)</sup>	-	300,000	-	-	300,000	26.05	N/A
		1,100,000	300,000	-	-	1,400,000		
<b>Employees (other than Directors of the Company)</b>	08/01/2009 <sup>(1)</sup>	93,000	-	(45,000)	(48,000)	-	9.34	26.50
	04/03/2010 <sup>(2)</sup>	414,500	-	(47,000)	(22,000)	345,500	22.80	28.03
	07/03/2011 <sup>(2)</sup>	996,000	-	(102,000)	(24,000)	870,000	26.18	28.03
	08/03/2012 <sup>(2)</sup>	1,693,000	-	(435,000)	(41,000)	1,217,000	23.20	28.03
	06/06/2013 <sup>(2)</sup>	1,936,000	-	-	(121,000)	1,815,000	31.45	N/A
	27/02/2014 <sup>(2)</sup>	-	2,307,000	-	(29,000)	2,278,000	26.05	N/A
	17/03/2014 <sup>(2)</sup>	-	300,000	-	-	300,000	27.55	N/A
		5,132,500	2,607,000	(629,000)	(285,000)	6,825,500		

## DISCLOSURE OF INTERESTS

### Notes:

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

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

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

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

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.

Share options granted on 06/06/2013 are exercisable during the period from 07/06/2015 to 06/06/2018.

Share options granted on 27/02/2014 are exercisable during the period from 28/02/2016 to 27/02/2019.

Share options granted on 17/03/2014 are exercisable during the period from 18/03/2016 to 17/03/2019.

(3) During the six months ended 30 June 2014, no share option was 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 27 February 2014, i.e. 26 February 2014 was HK\$25.40.

(7) The closing price of the shares of the Company immediately before the date of grant of 17 March 2014, i.e. 14 March 2014 was HK\$27.00.

(8) Due to the postponement of the 2013 Annual Grant of Options, the number of shares to be issued upon exercise of the options granted to Dr. Lo Ka Shui under the 2013 Annual Grant of Options and the 2014 Annual Grant of Options during the past 12-month period representing in aggregate over 0.1% of the issued share capital of the Company and having an aggregate market value in excess of HK\$5 million. Pursuant to Rule 17.04 of the Listing Rules, the grant of options to Dr. Lo Ka Shui under the 2014 Annual Grant of Options was approved by independent shareholders at the 2014 annual general meeting of the Company held on 30 April 2014.

## DISCLOSURE OF INTERESTS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2014, the interests and short positions of persons (other than the Directors or chief executives 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>(6)</sup>
HSBC International Trustee Limited	304,082,691 <sup>(1)</sup>	46.37
Powermax Agents Limited <sup>(2)</sup>	162,550,499	24.79
Surewit Finance Limited <sup>(3)</sup>	48,846,601	7.45
Green Jacket Limited <sup>(4)</sup>	32,941,618	5.02
Adscan Holdings Limited <sup>(5)</sup>	35,628,206	5.43

Notes:

(1) The number of shares disclosed was based on the latest Disclosure of Interest Form with the date of relevant event as 18 June 2014 received from HSBC International Trustee Limited ("HITL"). According to the latest disclosures made by the Directors of the Company, as at 30 June 2014:

(i) 219,141,330 shares representing 33.42% 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 discretionary beneficiaries.

(ii) 81,788,219 shares representing 12.47% 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 162,550,499 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 48,846,601 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) Green Jacket Limited is wholly-owned by HITL in the capacity of a trustee of a discretionary trust and the said 32,941,618 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.

## DISCLOSURE OF INTERESTS

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

(6) This percentage has been compiled based on the total number of shares of the Company in issue as at 30 June 2014 of 655,736,451 shares.

Save as disclosed above, as at 30 June 2014, no person (other than Directors or chief executives of the Company whose interests in shares, underlying shares and debentures of the Company are set out on pages 36 and 37) 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 46 to 86, which comprises the condensed consolidated statement of financial position as of 30 June 2014 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" issued by the Hong Kong Institute of Certified Public Accountants ("HKAS 34"). 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

21 August 2014

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	NOTES	Six Months Ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	4	<b>3,949,207</b>	3,402,675
Cost of goods and services		<b>(2,245,620)</b>	(1,863,740)
Operating profit before depreciation		<b>1,703,587</b>	1,538,935
Depreciation		<b>(240,473)</b>	(186,475)
Operating profit		<b>1,463,114</b>	1,352,460
Fair value changes on investment properties		<b>(143,768)</b>	794,670
Fair value changes on derivative financial instruments		<b>182</b>	(242)
Fair value changes on financial assets designated at fair value through profit or loss		<b>(117)</b>	–
Fair value change of derivative components of convertible bonds	25	–	308,236
Gain on conversion of convertible bonds	25	–	29,302
Other income		<b>192,924</b>	29,990
Administrative expenses		<b>(154,560)</b>	(173,856)
Other expenses		<b>(169,547)</b>	(17,585)
Finance costs	6	<b>(302,709)</b>	(264,946)
Share of results of associates		<b>764</b>	632
Share of results of a joint venture		<b>(19,039)</b>	(9,560)
Profit before tax	7	<b>867,244</b>	2,049,101
Income taxes	8	<b>(284,723)</b>	(127,175)
Profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT		<b>582,521</b>	1,921,926
Profit (loss) for the period attributable to:			
Owners of the Company		<b>472,803</b>	1,272,332
Non-controlling interests		<b>51,725</b>	(7,282)
		<b>524,528</b>	1,265,050
Non-controlling unitholders of Champion REIT		<b>57,993</b>	656,876
		<b>582,521</b>	1,921,926
Earnings per share:	10		
Basic		<b>HK\$0.72</b>	HK\$2.00



# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Profit for the period, before deducting the amounts attributable to non-controlling unitholders of Champion REIT	582,521	1,921,926
<b>Other comprehensive income (expense):</b>		
<b>Items that may be subsequently reclassified to profit or loss:</b>		
Fair value gain (loss) on available-for-sale investments	2,965	(9,639)
Reclassification adjustment upon disposal of available-for-sale investments	(44,686)	–
Exchange differences arising on translation of foreign operations	110,034	(232,272)
Share of other comprehensive (expense) income of associates	(84)	915
Share of other comprehensive (expense) income of a joint venture	(16,802)	9,998
Cash flow hedges:		
Fair value adjustment on cross currency swaps designated as cash flow hedge	21,931	(12,184)
Reclassification of fair value adjustments in profit or loss	(2,934)	(5,375)
Other comprehensive income (expense) for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT	70,424	(248,557)
Total comprehensive income for the period, before deducting amounts attributable to non-controlling unitholders of Champion REIT	652,945	1,673,369
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	535,573	1,031,123
Non-controlling interests	51,722	(7,282)
	587,295	1,023,841
Non-controlling unitholders of Champion REIT	65,650	649,528
	652,945	1,673,369

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>13,696,460</b>	13,390,302
Investment properties	11	<b>68,234,599</b>	68,586,519
Deposit for acquisition of a hotel property	12	<b>96,894</b>	–
Interests in associates	13	<b>347,954</b>	391,939
Interest in a joint venture	14	<b>594,859</b>	630,700
Available-for-sale investments	15	<b>1,377,067</b>	1,159,141
Derivative financial instruments	16	–	43
Notes receivable	17	<b>109,133</b>	186,304
Restricted cash		<b>13,391</b>	13,048
		<b>84,470,357</b>	84,357,996
<b>Current assets</b>			
Property under development	18	<b>2,412,000</b>	–
Inventories		<b>125,165</b>	106,490
Debtors, deposits and prepayments	19	<b>671,912</b>	604,243
Financial assets designated at fair value through profit or loss	20	<b>309,000</b>	1,851,224
Derivative financial instruments	16	<b>995</b>	771
Notes receivable	17	<b>65,486</b>	8,875
Tax recoverable		<b>49,666</b>	63,634
Short term loan receivable	21	<b>67,051</b>	67,072
Bank balances and cash		<b>9,963,912</b>	10,711,723
		<b>13,665,187</b>	13,414,032
<b>Current liabilities</b>			
Creditors, deposits and accruals	22	<b>3,092,408</b>	2,933,907
Provision for taxation		<b>192,119</b>	116,386
Distribution payable		<b>233,866</b>	250,202
Borrowings due within one year	24	<b>150,048</b>	7,042,379
		<b>3,668,441</b>	10,342,874
Net current assets		<b>9,996,746</b>	3,071,158
Total assets less current liabilities		<b>94,467,103</b>	87,429,154

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	At 30 June 2014 HK\$'000 (unaudited)	At 31 December 2013 HK\$'000 (audited)
Non-current liabilities			
Derivative financial instruments	23	22,984	41,833
Borrowings due after one year	24	23,157,556	16,281,686
Medium term note	26	3,066,189	3,065,494
Deferred taxation		1,101,920	953,067
		<b>27,348,649</b>	20,342,080
		<b>67,118,454</b>	67,087,074
Equity attributable to:			
Owners of the Company			
Share capital	27	327,868	319,638
Share premium and reserves		50,098,138	49,636,387
		<b>50,426,006</b>	49,956,025
Non-controlling interests		<b>(929,084)</b>	(855,761)
		<b>49,496,922</b>	49,100,264
Net assets attributable to non-controlling unitholders of Champion REIT		<b>17,621,532</b>	17,986,810
		<b>67,118,454</b>	67,087,074

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company												Amount attributable to non-controlling unitholders of		Total
	Share capital	Share premium	Investment revaluation reserve	Property revaluation reserve	Capital redemption reserve	Contributed surplus	Exchange translation reserve	Share option reserve	Hedging reserve	Other reserves	Retained profits	Sub-total	Champion REIT	Non-controlling interests	
	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	HK\$'000
At 1 January 2013	315,700	3,972,206	37,763	23,109	3,054	400,965	211,435	45,795	-	1,620,463	36,140,514	42,771,004	18,647,877	2,859	61,421,740
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	1,272,332	1,272,332	656,876	(7,282)	1,921,926
Change in fair value of cash flow hedges	-	-	-	-	-	-	-	-	(10,211)	-	-	(10,211)	(7,348)	-	(17,559)
Fair value loss on available-for-sale investments	-	-	(9,639)	-	-	-	-	-	-	-	-	(9,639)	-	-	(9,639)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(232,272)	-	-	-	-	(232,272)	-	-	(232,272)
Share of other comprehensive income of associates	-	-	-	-	-	-	915	-	-	-	-	915	-	-	915
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	9,998	-	-	-	-	9,998	-	-	9,998
Total comprehensive (expense) income for the period	-	-	(9,639)	-	-	-	(221,359)	-	(10,211)	-	1,272,332	1,031,123	649,528	(7,282)	1,673,369
Transaction with non-controlling unitholders of Champion REIT:															
Distribution to non-controlling unitholders of Champion REIT	-	-	-	-	-	-	-	-	-	-	-	-	(238,629)	-	(238,629)
	-	-	-	-	-	-	-	-	-	-	-	-	(238,629)	-	(238,629)
Transactions with owners:															
Dividend paid	-	-	-	-	-	-	-	-	-	-	(272,684)	(272,684)	-	-	(272,684)
Shares issued at premium	3,925	241,668	-	-	-	-	-	(20,908)	-	-	-	224,685	-	-	224,685
Share issue expenses	-	(40)	-	-	-	-	-	-	-	-	-	(40)	-	-	(40)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	6,199	-	-	-	6,199	-	-	6,199
Increase of interests in subsidiaries (note b)	-	-	-	-	-	-	-	-	-	38,492	-	38,492	(130,815)	6,601	(85,722)
Recognised on disposal of interests in subsidiaries without losing control (note c)	-	-	-	-	-	-	-	-	-	5,076,199	-	5,076,199	47,571	(941,556)	4,182,214
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	64,310	64,310
At 30 June 2013 (unaudited)	319,625	4,213,834	28,124	23,109	3,054	400,965	(9,924)	31,086	(10,211)	6,735,154	37,140,162	48,874,978	18,975,532	(875,068)	66,975,442

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company												Amount attributable to non-controlling unitholders of		Total
	Share capital	Share premium	Investment revaluation reserve	Property revaluation reserve	Capital redemption reserve	Contributed surplus	Exchange translation reserve	Share option reserve	Hedging reserve	Other reserves	Retained profits	Sub-total	Champion REIT	Non-controlling interests	
	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 2014	319,638	4,214,554	90,096	23,109	3,054	400,965	113,509	39,707	(27,106)	7,297,506	37,480,993	49,956,025	17,986,810	(855,761)	67,087,074
Profit for the period	-	-	-	-	-	-	-	-	-	-	472,803	472,803	57,993	51,725	582,521
Change in fair value of cash flow hedges	-	-	-	-	-	-	-	-	11,340	-	-	11,340	7,657	-	18,997
Fair value gain on available-for-sale investments	-	-	2,965	-	-	-	-	-	-	-	-	2,965	-	-	2,965
Reclassification adjustment upon disposal of available-for-sale investments	-	-	(44,686)	-	-	-	-	-	-	-	-	(44,686)	-	-	(44,686)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	110,037	-	-	-	-	110,037	-	(3)	110,034
Share of other comprehensive expense of associates	-	-	-	-	-	-	(84)	-	-	-	-	(84)	-	-	(84)
Share of other comprehensive expense of a joint venture	-	-	-	-	-	-	(16,802)	-	-	-	-	(16,802)	-	-	(16,802)
Total comprehensive (expense) income for the period	-	-	(41,721)	-	-	-	93,151	-	11,340	-	472,803	535,573	65,650	51,722	652,945
Transaction with non-controlling unitholders of Champion REIT: Distribution to non-controlling unitholders of Champion REIT	-	-	-	-	-	-	-	-	-	-	-	-	(233,866)	-	(233,866)
	-	-	-	-	-	-	-	-	-	-	-	-	(233,866)	-	(233,866)
Transactions with owners:															
Dividend paid	-	-	-	-	-	-	-	-	-	-	(595,199)	(595,199)	-	-	(595,199)
Shares issued at premium	8,230	426,445	-	-	-	-	-	(3,973)	-	-	-	430,702	-	-	430,702
Share issue expenses	-	(24)	-	-	-	-	-	-	-	-	-	(24)	-	-	(24)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	8,903	-	-	-	8,903	-	-	8,903
Increase of interests in subsidiaries (note b)	-	-	-	-	-	-	-	-	-	101,884	-	101,884	(197,062)	22,184	(72,994)
Waiver of distribution from a subsidiary (note d)	-	-	-	-	-	-	-	-	-	-	(11,858)	(11,858)	-	11,858	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(159,087)	(159,087)
At 30 June 2014 (unaudited)	327,868	4,640,975	48,375	23,109	3,054	400,965	206,660	44,637	(15,766)	7,399,390	37,346,739	50,426,006	17,621,532	(929,084)	67,118,454

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

## Notes:

- (a) Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Group is available for distribution to shareholders.
- (b) It represents the effect from the Group's increase in interests in Champion REIT and Langham upon the settlement of management fees in units and purchase of units of Champion REIT and Langham from the market by the Group.
- (c) It represents the effect from the decrease in the Group's interest:
  - (i) Langham upon spin-off on 29 May 2013 that resulted in a disposal of 42.6% equity interests. An amount of HK\$5,076,199,000 recognised in other reserves represented the IPO proceeds less the net asset value of Langham attributable to non-controlling shareholders as at the spin-off date; and
  - (ii) Champion REIT due to the conversion of convertible bonds into Champion REIT units by other bondholders.
- (d) Pursuant to a distribution entitlement waiver deed, LHIL Assets Holdings Limited, a subsidiary, has agreed to waive its entitlement to receive any distributions payable from its 150,000,000 share stapled units in Langham. During the period, distribution of HK\$11,858,000 was waived by the Group.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Cash (used in) generated from operations</b>	<b>(993,763)</b>	1,353,929
Hong Kong Profits Tax paid	(10,178)	(85,621)
Other jurisdictions tax paid	(45,551)	(34,041)
Hong Kong Profits Tax refunded	–	1,257
<b>Net cash (used in) from operating activities</b>	<b>(1,049,492)</b>	1,235,524
<b>Investing activities</b>		
Additions of available-for-sale investments	(707,824)	(151,856)
Additions of financial assets designated at fair value through profit or loss	(605,329)	–
Additions of property, plant and equipment	(160,034)	(499,667)
Deposit for acquisition of a hotel property	(96,894)	–
Additions of investment properties	(20,103)	(38,875)
Increase in restricted cash	(343)	(3,250)
Proceeds on disposal of financial assets designated at fair value through profit or loss	2,147,436	–
Proceeds on disposal of available-for-sale investments	526,214	25,532
Interest received	150,512	19,692
Dividends received from listed available-for-sale investments	22,101	3,375
Proceeds on redemption of notes receivable	16,534	–
Dividends received from associates	14,888	18,764
Proceeds on disposal of property, plant and equipment	69	6,224
Deposit for acquisition of investment properties	–	(215,530)
Additions of notes receivable	–	(172,713)
Stamp duty paid for the acquisition of investment properties	–	(91,600)
Addition in investment cost of an associate	–	(321)
<b>Net cash from (used in) investing activities</b>	<b>1,287,227</b>	(1,100,225)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Financing activities</b>		
Repayments of bank loans	(7,528,254)	(2,663,558)
Interest paid	(265,775)	(137,656)
Distribution paid to non-controlling unitholders of Champion REIT	(249,971)	(256,753)
Dividends paid to shareholders	(179,920)	(113,129)
(Distribution to) contribution from non-controlling interests	(159,087)	64,310
Bank origination fees	(73,350)	(128,998)
Acquisition of additional interests in subsidiaries	(72,994)	(85,722)
New bank loans raised	7,500,000	9,000,000
Issue of shares	15,399	65,090
Redemption of convertible bonds	–	(2,406,481)
Settlement upon conversion of convertible bonds	–	(322,940)
Transaction costs for partial disposal of interest in a subsidiary	–	(107,897)
Transaction costs for the issuance of medium term note	–	(39,230)
Proceeds from partial disposal of interests in subsidiaries	–	4,260,870
Proceeds from issuance of medium term note	–	3,100,983
<b>Net cash (used in) from financing activities</b>	<b>(1,013,952)</b>	10,228,889
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(776,217)</b>	10,364,188
Effect of foreign exchange rate changes	28,406	(40,217)
<b>Cash and cash equivalents at 1 January</b>	<b>10,711,723</b>	4,962,339
<b>Cash and cash equivalents at 30 June</b>	<b>9,963,912</b>	15,286,310
<b>Analysis of the balance of cash and cash equivalents:</b>		
Bank balances and cash	9,963,912	15,286,310



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 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. SIGNIFICANT 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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

### Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost includes the cost of land. Net realisable value is determined by management based on prevailing market conditions.

In the current interim period, the Group has applied, for the first time, a new Interpretation and 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 new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in 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 2013 were authorised for issuance and not yet effective:

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to HKFRS 11 and HKFRS 15	Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup> Revenue from Contracts with Customers <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30 June 2014 HK\$'000	31 December 2013 HK\$'000		
Listed equity securities classified as available-for-sale investments in the condensed consolidated statement of financial position	<b>1,012,217</b>	1,030,253	Level 1	Quoted market bid prices in an active market.
Listed debt securities classified as available-for-sale investments in the condensed consolidated statement of financial position	<b>75,414</b>	75,439	Level 1	Quoted market bid prices in an active market.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial assets	Fair value as at			
	30 June 2014 HK\$'000	31 December 2013 HK\$'000	Fair value hierarchy	Valuation technique and key inputs
Equity and currency linked notes classified as financial assets designated at fair value through profit or loss in the condensed consolidated statement of financial position	207,322	1,851,224	Level 2	Discounted cash flow. Future cash flows are estimated based on share price/foreign currency exchange rate (from observable share price/foreign currency exchange rate at the end of the reporting period) and contracted share price/foreign currency exchange rate, discounted at a rate that reflects the credit risk of various counterparties.
Foreign currency derivative contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	475	814	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Equity warrants classified as derivative financial instruments in the condensed consolidated statement of financial position	520	–	Level 1	Quoted market bid prices in an active market.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Financial liabilities	Fair value as at			
	30 June 2014 HK\$'000	31 December 2013 HK\$'000	Fair value hierarchy	Valuation technique and key inputs
Cross currency swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	22,984	41,833	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and interest rates (from observable forward exchange rates and interest rates at the end of the reporting period) and contracted forward rates discounted at a rate that reflects the credit risk of various counterparties.

Financial assets	Fair value as at				Valuation technique and key inputs	Significant unobservable inputs
	30 June 2014 HK\$'000	31 December 2013 HK\$'000	Fair value hierarchy			
Equity linked notes classified as financial assets designated at fair value through profit or loss in the condensed consolidated statement of financial position	101,678	–	Level 3	Discounted cash flow. Future cash flows are estimated based on probability-adjusted share prices, contracted share prices and volatility discounted at a rate that reflects the credit risk of various counterparties.	Volatility of underlying share prices. (Note)	

Note: The higher the volatility, the higher the fair value of equity linked notes. A reasonably possible change in the unobservable input would result in a significantly higher or lower fair value measurement.

There were no transfers between Level 1 and 2 during the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 3. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### Reconciliation of Level 3 fair value measurements

	Equity linked notes HK\$'000
As at 1 January 2014	–
Purchases	100,860
Change in fair value	818
As at 30 June 2014	101,678

The above change in fair value is included in “fair value changes on financial assets designated at fair value through profit or loss” in the condensed consolidated income statement.

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

## 4. 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, property agency commission and income from fitness centre and restaurant operations.

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Property rental income	1,242,810	1,093,025
Building management service income	118,254	106,130
Hotel income	2,374,955	2,029,477
Sales of goods	101,768	81,964
Dividend income	25,550	3,375
Others	85,870	88,704
	<b>3,949,207</b>	3,402,675

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 5. 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 (“CODM”) (i.e. the chairman and managing director of the Group) in order to allocate resources to segments and to assess their performance. Performance assessment is more specifically focused on the segment results of each listed group, including Great Eagle Holdings Limited, Champion Real Estate Investment Trust (“Champion REIT”) and Langham Hospitality Investments and Langham Hospitality Investments Limited (“Langham”). The Group’s operating and reportable segments under HKFRS 8 are as follows:

- |                            |   |  |
|----------------------------|---|--|
| Property investment        | – | gross rental income and building management service income from leasing of furnished apartments and properties held for investment potential.                                      |
| Hotel operation            | – | hotel accommodation, food and banquet operations as well as hotel management.  |
| Other operations           | – | sales of building materials, restaurant operation, fitness centre operation, investment in securities, provision of property management, maintenance and property agency services. |
| Results from Champion REIT | – | based on published financial information of Champion REIT.   |
| Results from Langham       | – | based on published financial information of Langham.   |

Segment results of Champion REIT represent the published net property income less manager’s fee. Segment results of Langham represent revenue less property related expense and services fees. Segment results of other operating segments 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 joint venture, depreciation, fair value changes on investment properties, derivative financial instruments and financial assets designated at fair value through profit or loss, gain on conversion of convertible bond, other income, finance costs and income taxes. This is the measurement basis reported to the CODM for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 5. SEGMENT INFORMATION (continued)

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

### Segment revenue and results

Six months ended 30 June 2014

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Champion REIT HK\$'000 (unaudited)	Langham HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>REVENUE</b>								
External revenue	217,132	2,374,955	213,188	2,805,275	1,141,411	2,521	-	3,949,207
Inter-segment revenue	-	37,065	157,817	194,882	13,591	365,766	(574,239)	-
Total	217,132	2,412,020	371,005	3,000,157	1,155,002	368,287	(574,239)	3,949,207
Inter-segment revenue are charged at a mutually agreed prices and are recognised when services are provided.								
<b>RESULTS</b>								
Segment results	134,315	202,877	252,716	589,908	810,229	305,346	(1,896)	1,703,587
Depreciation				(163,509)	-	(76,964)	-	(240,473)
Operating profit after depreciation				426,399	810,229	228,382	(1,896)	1,463,114
Fair value changes on investment properties				245,946	(389,714)	-	-	(143,768)
Fair value changes on derivative financial instruments				182	-	-	-	182
Fair value changes on financial assets designated at FVTPL				(117)	-	-	-	(117)
Other income				47,323	-	-	-	47,323
Administrative expenses				(142,037)	(9,100)	(5,319)	1,896	(154,560)
Other expenses				(155,777)	24	(13,794)	-	(169,547)
Net finance costs				49,488	(151,523)	(55,073)	-	(157,108)
Share of results of associates				764	-	-	-	764
Share of results of a joint venture				(19,039)	-	-	-	(19,039)
Profit before tax				453,132	259,916	154,196	-	867,244
Income taxes				(138,754)	(111,861)	(34,108)	-	(284,723)
Profit for the period				314,378	148,055	120,088	-	582,521
Less: Profit attributable to non-controlling interests/ non-controlling unitholders of Champion REIT				(1,228)	(57,993)	(50,497)	-	(109,718)
Profit attributable to owners of the Company				313,150	90,062	69,591	-	472,803

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 5. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

#### Six months ended 30 June 2013

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Sub-total HK\$'000 (unaudited)	Champion REIT HK\$'000 (unaudited)	Langham HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
<b>REVENUE</b>								
External revenue	155,466	2,029,477	174,044	2,358,987	1,043,266	422	-	3,402,675
Inter-segment revenue	-	6,875	140,986	147,861	15,396	55,401	(218,658)	-
Total	155,466	2,036,352	315,030	2,506,848	1,058,662	55,823	(218,658)	3,402,675
Inter-segment revenue are charged at a mutually agreed prices and are recognised when services are provided.								
<b>RESULTS</b>								
Segment results	92,422	442,886	203,805	739,113	755,478	46,223	(1,879)	1,538,935
Depreciation				(172,819)	-	(13,656)	-	(186,475)
Operating profit after depreciation				566,294	755,478	32,567	(1,879)	1,352,460
Fair value changes on investment properties				96,504	698,166	-	-	794,670
Fair value changes on derivative financial instruments				(242)	308,236	-	-	307,994
Gain on conversion of convertible bonds				-	29,302	-	-	29,302
Other income				2,864	-	-	-	2,864
Administrative expenses				(130,014)	(9,851)	(35,870)	1,879	(173,856)
Other expenses				(17,780)	195	-	-	(17,585)
Net finance costs				(44,369)	(182,247)	(11,204)	-	(237,820)
Share of results of associates				632	-	-	-	632
Share of results of a joint venture				(9,560)	-	-	-	(9,560)
Profit (loss) before tax				464,329	1,599,279	(14,507)	-	2,049,101
Income taxes				(93,288)	(29,684)	(4,203)	-	(127,175)
Profit (loss) for the period				371,041	1,569,595	(18,710)	-	1,921,926
Less: Profit (loss) attributable to non-controlling interests/ non-controlling unitholders of Champion REIT				(634)	(656,876)	7,916	-	(649,594)
Profit (loss) attributable to owners of the Company				370,407	912,719	(10,794)	-	1,272,332



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 5. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

30 June 2014

	Assets HK\$'000 (unaudited)	Liabilities HK\$'000 (unaudited)	Net Assets HK\$'000 (unaudited)
Property investment (note a)	7,535,669	3,004,544	4,531,125
Hotel operation (note a)	10,731,807	3,867,674	6,864,133
Other operations (note a)	481,751	193,127	288,624
Unallocated	12,427,941	126,637	12,301,304
Great Eagle operations (note b)	31,177,168	7,191,982	23,985,186
Champion REIT (note c)	38,016,973	10,288,000	27,728,973
Langham (note c)	10,156,719	4,040,621	6,116,098

31 December 2013

	Assets HK\$'000 (audited)	Liabilities HK\$'000 (audited)	Net Assets HK\$'000 (audited)
Property investment (note a)	7,281,271	3,860,127	3,421,144
Hotel operation (note a)	10,714,163	2,883,688	7,830,475
Other operations (note a)	436,813	150,114	286,699
Unallocated	11,967,036	133,356	11,833,680
Great Eagle operations (note b)	30,399,283	7,027,285	23,371,998
Champion REIT (note c)	37,914,539	10,156,565	27,757,974
Langham (note c)	10,148,763	3,989,897	6,158,866

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 5. SEGMENT INFORMATION (continued)

### Segment assets and liabilities (continued)

Notes:

- (a) The segment assets include primarily investment properties, property, plant and equipment, equity securities classified as available-for-sale, inventories, notes receivable, financial assets designated at fair value through profit or loss and debtors, deposits and prepayments attributable to respective operating segments. The segment liabilities include primarily creditors, deposits and accruals, provision for taxation and deferred taxation attributable to respective operating segments.
- (b) In addition to the major items discussed in note (a), included in the assets and liabilities are bank balances and cash of HK\$8,118,040,000 (31 December 2013: HK\$8,893,354,000) and borrowings of HK\$5,100,223,000 (31 December 2013: HK\$5,082,384,000), representing net cash of HK\$3,017,817,000 as at 30 June 2014 (31 December 2013: HK\$3,810,970,000).
- (c) Assets and liabilities of Champion REIT and Langham are based on published results of Champion REIT and Langham, excluding distribution payable attributable from Champion REIT of HK\$363,188,000 (31 December 2013: HK\$380,824,000), at the respective interests held by Great Eagle Holdings Limited, being 60.83% and 57.95% (31 December 2013: 60.35% and 57.72%), respectively. Additionally, the assets of Langham include the hotel properties' appraised value of HK\$16,719,000,000 as at 30 June 2014 (31 December 2013: HK\$16,696,000,000). Such hotel properties have a carrying amount (at cost less accumulated depreciation) of HK\$4,152,993,000 as at 30 June 2014 (31 December 2013: HK\$4,214,397,000) as recognised in the Group's condensed consolidated statement of financial position.

## 6. FINANCE COSTS

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	160,500	99,950
Interest on other loans wholly repayable within five years	40,515	17,326
Interest on convertible bonds wholly repayable within five years	–	69,969
Interest on medium term note not wholly repayable within five years	57,839	52,618
Other borrowing costs	43,855	25,083
	<b>302,709</b>	264,946

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 7. PROFIT BEFORE TAX

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)	1,061,210	884,481
Share based payments (including directors' emoluments)	8,903	6,199
	<b>1,070,113</b>	890,680
Depreciation	240,473	186,475
Reversal of allowance for doubtful debts, net	–	(1,449)
Recovery of bad debts written off	(1,267)	–
Share of tax of associates (included in the share of results of associates)	1,110	3,902
Dividend income from listed investments	(25,550)	(3,375)
Bank interest income (included in other income)	(121,704)	(26,958)
Interest income received from other financial assets (included in other income)	(23,897)	(168)
Net gain on disposal of listed available-for-sale investments	(44,686)	–
Loss (gain) on disposal of property, plant and equipment	93	(75)
Net exchange loss (recognised as other expenses)	169,547	17,585
Listing expenses in relation to the spin-off of Langham (note)	–	45,521

Note: The amount during the six months ended 30 June 2013 represented the portion of listing expenses recognised in the profit or loss of which HK\$34,695,000 was borne by Langham.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 8. INCOME TAXES

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Current tax:		
Current period:		
Hong Kong Profits Tax	108,770	92,015
Other jurisdictions	25,870	11,771
	134,640	103,786
Underprovision in prior periods:		
Hong Kong Profits Tax	2,625	9,694
Other jurisdictions	6,433	4,159
	9,058	13,853
	143,698	117,639
Deferred tax:		
Current period	151,470	1,394
(Over)underprovision in prior periods	(10,445)	8,142
	141,025	9,536
	284,723	127,175

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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 9. DIVIDENDS

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Dividends paid:		
Final dividend of HK43 cents in respect of the financial year ended 31 December 2013 (2013: HK43 cents in respect of the financial year ended 31 December 2012) per ordinary share	275,199	272,684
Special final dividend of HK50 cents in respect of the financial year ended 31 December 2013 (2013: nil) per ordinary share	320,000	–
	<b>595,199</b>	272,684
Dividends declared:		
Interim dividend of HK27 cents in respect of the six months ended 30 June 2014 (2013: HK23 cents in respect of the six months ended 30 June 2013) per ordinary share	177,049	147,027
Special interim dividend of HK\$1 in respect of the six months ended 30 June 2013 per ordinary share	–	639,250
	<b>177,049</b>	786,277

On 18 June 2014, a final dividend of HK43 cents and a special dividend of HK50 cents (2013: final dividend of HK43 cents) per ordinary share, which included scrip dividend alternatives offered to shareholders, were paid to shareholders as the final dividend in respect of the financial year ended 31 December 2013. The scrip dividend alternatives were accepted by the shareholders as follows:

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Dividends		
Cash	179,919	113,129
Share alternative	415,280	159,555
	<b>595,199</b>	272,684

The Directors have determined that an interim dividend of HK27 cents (2013: interim dividend of HK23 cents and a special interim dividend of HK\$1) per ordinary share will be paid to the shareholders of the Company whose names appear in the Register of Members on 8 October 2014.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 10. EARNINGS PER SHARE

	Six Months Ended 30 June	
	2014 (unaudited)	2013 (unaudited)
Earnings per share:		
Basic	<b>HK\$0.72</b>	HK\$2.00
Diluted	<b>HK\$0.72</b>	HK\$1.62

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

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 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>472,803</b>	1,272,332
Adjustment to earnings on assumed conversion of convertible bonds in Champion REIT (note)	–	(235,262)
Earnings for the purpose of diluted earnings per share	<b>472,803</b>	1,037,070

	Six Months Ended 30 June	
	2014	2013
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	<b>655,438,169</b>	637,501,052
Effect of dilutive potential shares:		
Share options	<b>609,603</b>	1,664,932
Weighted average number of shares for the purpose of diluted earnings per share	<b>656,047,772</b>	639,165,984

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 10. EARNINGS PER SHARE (continued)

Note:

The holders of the convertible bonds in Champion REIT were entitled to convert their bonds into units of Champion REIT. For accounting purpose, the adjustment has taken into account (i) the aggregate effect of interest on convertible bonds, change in fair value of derivative components of convertible bonds, and gain on conversion of convertible bonds attributable to owners of the Company and (ii) the decrease in earnings attributable to the owners of the Company due to decrease in the Group's unitholding in Champion REIT as a result of the assumed conversion of the convertible bonds at the beginning of the period. The aforesaid assumed conversion did not actually take place and the relevant convertible bonds in Champion REIT were fully redeemed in June 2013.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group had additions in relation to structural improvement work on hotel properties of HK\$17,917,000 (six months ended 30 June 2013: structural improvement work on hotel properties of HK\$343,000 and hotel buildings under development of HK\$337,762,000). The additions of other property, plant and equipment were HK\$141,880,000 (six months ended 30 June 2013: HK\$157,379,000). During the current interim period, the Group had disposals of other property, plant and equipment with carrying amount of HK\$162,000 (six months ended 30 June 2013: HK\$6,149,000).

At 30 June 2014 and 2013, the Directors conducted an impairment assessment on hotel properties, no reversal or additional impairment loss was recognised for the six months ended 30 June 2014 and 2013.

During the current interim period, the Group had additions to improvement work on investment properties at a cost of HK\$37,769,000 (six months ended 30 June 2013: HK\$38,785,000). In addition, investment properties with carrying value of HK\$244,900,000 were transferred to property, plant and equipment due to change in use from earning rental income from outsiders to owner occupation.

The fair value of the Group's investment properties of HK\$68,234,599,000 as at 30 June 2014 (31 December 2013: HK\$68,586,519,000) 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 and 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. Additionally, in estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 12. DEPOSIT FOR ACQUISITION OF A HOTEL PROPERTY

Deposit for acquisition of a hotel property represented the deposit of US\$12,500,000 (approximately HK\$96,894,000) in respect of the acquisition of a hotel located in Washington D.C., USA.

## 13. INTERESTS IN ASSOCIATES

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Cost of investment in associates:		
Unlisted associates in Hong Kong	<b>12</b>	12
Unlisted associate in the People's Republic of China ("PRC") (note a)	<b>189,198</b>	189,198
Listed associate in Hong Kong	<b>2,596</b>	2,596
	<b>191,806</b>	191,806
Share of post-acquisition (loss) profit and other comprehensive (expense) income, net of dividend received	<b>(225)</b>	43,760
Amounts due from associates (note b)	<b>156,373</b>	156,373
	<b>347,954</b>	391,939
Fair value of listed associate, based on market share price	<b>70,701</b>	184,574

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 ("SOI") for a consideration of US\$24,118,000 (equivalent to HK\$188,120,000) in August 2010. MGIL was subsequently acquired by a wholly-owned subsidiary of Shui On Land ("SOL") in September 2011. Both SOI and SOL are related companies 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. MGIL indirectly holds a hotel property in the Luwan District, Shanghai, and the Group provides hotel management and related services to MGIL (see note 31).
- (b) The outstanding 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.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 13. INTERESTS IN ASSOCIATES (continued)

In determining whether there exists 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.

At the end of the reporting period, fair value of listed associate is determined on the number of shares held by the Group and by reference to the closing prices in an active market.

## 14. INTEREST IN A JOINT VENTURE

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Cost of investment in a joint venture	<b>632,612</b>	632,612
Share of post-acquisition results and other comprehensive income	<b>(37,753)</b>	(1,912)
	<b>594,859</b>	630,700

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") that significantly affect the return of Wealth Joy, require unanimous consent from the Group and the Investor, accordingly Wealth Joy is accounted for as a joint arrangement. As the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Wealth Joy, the Group has accounted for Wealth Joy as a joint venture.

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.

The Group's interest in the joint venture amounting to HK\$594,859,000 as at 30 June 2014 (31 December 2013: HK\$630,700,000) are accounted for using the equity method in these condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 15. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Listed equity securities in Hong Kong	<b>844,069</b>	639,659
Listed equity securities outside Hong Kong	<b>168,148</b>	390,594
Listed debt securities outside Hong Kong	<b>75,414</b>	75,439
Unlisted equity securities in Hong Kong	<b>246</b>	246
Unlisted equity securities outside Hong Kong	<b>289,190</b>	53,203
	<b>1,377,067</b>	1,159,141
Market value of listed securities	<b>1,087,631</b>	1,105,692

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.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Foreign currency derivative contracts	<b>475</b>	814
Equity warrants	<b>520</b>	–
	<b>995</b>	814
Less: Amounts due within one year shown under current assets	<b>(995)</b>	(771)
Amounts due after one year	<b>–</b>	43

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The Group used foreign currency derivative contracts to manage its exposure to foreign exchange rate movements on its operations in Hong Kong. The Group is required to sell or buy Euro against Hong Kong dollars (31 December 2013: Euro against Hong Kong dollars) at contracted rates under these derivative contracts. At the end of the reporting period, the unexpired notional amount of these outstanding derivatives contracts amounted to Euro1,845,500 (equivalent to HK\$19,524,000) (31 December 2013: Euro1,998,000 (equivalent to HK\$20,558,000)). The derivative contracts will be fully expired by 2015 (31 December 2013: 2015).

During the current interim period, the Group received bonus warrants from its listed equity security in Hong Kong. The warrants will entitle the holder to subscribe for shares at a prescribed subscription price from April 2014 to April 2016.

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

## 17. NOTES RECEIVABLE

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Unsecured bonds	<b>155,928</b>	175,970
Medium term notes	<b>18,691</b>	19,209
	<b>174,619</b>	195,179
Less: Amounts due within one year shown under current assets	<b>(65,486)</b>	(8,875)
Amounts due after one year	<b>109,133</b>	186,304

At the end of the reporting period, the Group held unsecured bonds and medium term notes with principal amounts of HK\$155,928,000 and HK\$18,691,000 (31 December 2013: HK\$175,970,000 and HK\$19,209,000), respectively, issued by reputable financial institutions.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 17. NOTES RECEIVABLE (continued)

The unsecured bonds issued by reputable financial institutions are detailed as follows:

- (i) carrying amount of HK\$29,509,000 (31 December 2013: HK\$37,177,000) is denominated in United States dollars with nominal values ranging from US\$1,000,000 to US\$2,000,000 (31 December 2013: US\$900,000 to US\$2,000,000), bears interest at fixed interest rates ranging from 2.63% to 3.25% (31 December 2013: 2.63% to 9.50%) per annum and has maturity dates ranging from January 2018 to April 2018 (31 December 2013: April 2016 to April 2018); and
- (ii) carrying amount of HK\$126,419,000 (31 December 2013: HK\$138,793,000) is denominated in Renminbi with nominal values ranging from RMB2,000,000 to RMB10,000,000 (31 December 2013: RMB2,000,000 to RMB10,000,000), bears interests at either variable interest rate of 3-month's Shanghai Interbank Offered Rate less 0.6% or fixed interest rates ranging from 2.075% to 8.50% (31 December 2013: variable interest rate of 3-month's Shanghai Interbank Offered Rate less 0.6% or fixed interest rates ranging from 2.075% to 8.50%) per annum and has maturity dates ranging from June 2014 to June 2016 (31 December 2013: June 2014 to June 2016).

The medium term notes issued by reputable financial institutions are denominated in Renminbi with an aggregate nominal value of RMB15,000,000 (31 December 2013: RMB15,000,000). The medium term notes bear interest at 3.25% (31 December 2013: 3.25%) per annum and will mature in June 2015 (31 December 2013: June 2015).

## 18. PROPERTY UNDER DEVELOPMENT

The Group acquired a prime residential site in Pak Shek Kok, Tai Po at the land premium of HK\$2,412,000,000. The site will be used for development of luxury residential properties for sale.

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Trade debtors, net of allowance for doubtful debts	<b>309,830</b>	301,250
Deferred rent receivables	<b>99,058</b>	101,931
Other receivables	<b>78,787</b>	74,029
Deposits and prepayments	<b>184,237</b>	127,033
	<b>671,912</b>	604,243

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

For sales of goods, the Group allows an average credit period of 30 – 60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. For hotel income, the Group allows a credit period of 30 days to certain customers.

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

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
0 – 3 months	<b>222,258</b>	226,481
3 – 6 months	<b>13,494</b>	14,740
Over 6 months	<b>74,078</b>	60,029
	<b>309,830</b>	301,250

Deposits and prepayments mainly consist of deposits paid to contractors for hotels renovation and prepaid expenses for hotels operations.

## 20. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Equity linked notes designated at FVTPL	<b>161,319</b>	1,095,944
Currency linked notes designated at FVTPL	<b>147,681</b>	755,280
	<b>309,000</b>	1,851,224

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 20. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

At the end of the reporting period, the Group had entered into equity linked notes with banks and are detailed as follows:

- (i) US\$ equity linked notes with nominal values ranging from US\$500,000 to US\$2,000,000 (31 December 2013: US\$500,000 to US\$5,000,000) have maturity periods ranging from three months to thirteen months (31 December 2013: three months to twelve months). Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.
- (ii) HK\$ equity linked notes with nominal values of HK\$10,000,000 (31 December 2013: ranging from HK\$3,000,000 to HK\$30,000,000) have maturity periods ranging from three months to four months (31 December 2013: three months to seven months). Redemption amount and interest rates vary depending on various conditioning terms and different strike prices.

The Group also entered into currency linked notes with banks and are detailed as follows:

- (i) Semi-annual coupon linked to US\$/Offshore RMB notes with nominal values of RMB118,750,000 (31 December 2013: RMB118,750,000) where the exchange rate is the spot rate of exchange between offshore RMB and US\$ and the Group is entitled to receive fixed coupon subject to certain terms and conditions as stipulated in the agreement; and
- (ii) Structured deposits linked to US\$/RMB with nominal values of RMB106,000,000 and subject to the strike price of 6.161 during the year ended 31 December 2013.

## 21. SHORT TERM LOAN RECEIVABLE

Short term loan receivable from a third party of US\$8,650,000 (equivalent to approximately HK\$67,051,000) is unsecured, interest-free and repayable on demand (31 December 2013: US\$8,650,000 (equivalent to approximately HK\$67,072,000) was unsecured, bore interest at 20% per annum and repayable on 11 March 2014). The management expects the loan receivable would be recovered within twelve months from the end of the reporting period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 22. CREDITORS, DEPOSITS AND ACCRUALS

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Trade creditors	<b>205,451</b>	191,674
Deposits received	<b>764,789</b>	708,124
Construction fee payable and retention money payable	<b>11,587</b>	11,844
Accruals, interest payable and other payables	<b>2,110,581</b>	2,022,265
	<b>3,092,408</b>	2,933,907

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

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
0 – 3 months	<b>171,448</b>	179,568
3 – 6 months	<b>9,366</b>	1,295
Over 6 months	<b>24,637</b>	10,811
	<b>205,451</b>	191,674

Included in accruals and other payables is accrual of stamp duty of HK\$963,475,000 (31 December 2013: HK\$963,475,000) which is based on the current applicable stamp duty rate of 4.25% (31 December 2013: 4.25%) and the stated consideration of HK\$22,670,000,000 in the property sale and purchase agreements for the legal assignment of the investment properties which Champion REIT acquired the property interests in Citibank Plaza upon listing and an accrual for stamp duty of HK\$91,600,000 (31 December 2013: HK\$91,600,000) in regards to the acquisition of certain properties in Citibank Plaza during the year ended 31 December 2013.

Apart from the above, accruals and other payables mainly consist of accrued renovation and operating expenses for the hotels.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 23. DERIVATIVE FINANCIAL INSTRUMENTS UNDER HEDGE ACCOUNTING

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Cash flow hedge – cross currency swaps	<b>22,984</b>	41,833

The Group entered into cross currency swaps with The Hong Kong and Shanghai Banking Corporation Limited to minimise the exposure to fluctuations in foreign currency and interest rate of the medium term note as described in note 26, which is denominated in United States dollars, in respect of the principal and fixed rate interest payments.

The cross currency swaps and the corresponding medium term note have similar terms and the Directors of the Company considered that the cross currency swaps were highly effective hedging instruments.

The fair values of the cross currency swaps at the end of the reporting periods are based on the valuation provided by the counterparty financial institution.

## 24. BORROWINGS

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Bank loans and revolving loans (secured)	<b>20,946,244</b>	20,912,276
Other non-current loans (secured)	<b>2,553,979</b>	2,570,107
	<b>23,500,223</b>	23,482,383
Loan front-end fee	<b>(192,619)</b>	(158,318)
	<b>23,307,604</b>	23,324,065
The maturity of the above loans based on scheduled repayment terms is as follows:		
Within one year	<b>150,048</b>	7,042,379
More than one year but not exceeding two years	<b>11,669,848</b>	2,982,800
More than two years but not exceeding five years	<b>11,487,708</b>	13,298,886
	<b>23,307,604</b>	23,324,065
Less: Amounts due within one year shown under current liabilities	<b>(150,048)</b>	(7,042,379)
Amounts due after one year	<b>23,157,556</b>	16,281,686



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 24. BORROWINGS (continued)

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

	30 June 2014 (unaudited)	31 December 2013 (audited)
Effective interest rate:		
Fixed-rate borrowings	3.84% to 6.09%	3.84% to 6.09%
Variable-rate borrowings	1.14% to 4.61%	0.88% to 4.91%

At the end of the reporting period, included in the Group's borrowings are fixed-rate borrowings with carrying amount of HK\$1,088,402,000 (31 December 2013: HK\$1,098,045,000), the remaining balances were variable-rate borrowings.

## 25. CONVERTIBLE BONDS

On 3 June 2008, the Group, through a subsidiary Fair Vantage Limited ("Bonds Issuer"), issued HK\$4,680,000,000 1% guaranteed convertible bonds due June 2013 ("Bonds").

During the six months period ended 30 June 2013, an aggregate principal amount of HK\$322,940,000 of the Bonds were converted at a conversion price of HK\$3.34 per unit, which came into effect since 21 May 2013 as a result of Excess Distribution (as defined in the terms and conditions of the Bonds) adjustment. The Bonds Issuer settled the conversions by (a) cash payment of HK\$322,940,000 and (b) the issuance of 12,395,029 units of Champion REIT and resulted in a gain of HK\$29,302,000 which was recognised in the profit or loss. Upon the conversion, the Group's ownership interest in Champion REIT decreased from 57.97% to 57.85%.

On 3 June 2013, the bonds maturity date, the Bonds Issuer redeemed the then outstanding principal of HK\$1,941,650,000 at the redemption price of 123.94% by an aggregate amount of HK\$2,406,481,000. After the redemption, certain investment properties together with the assignment of insurance proceeds which have been granted and mortgaged in favour of the bond holders were released and discharged.

The Bonds contained liability components stated at amortised cost and derivative components stated at fair value. The effective interest rate of the liability component was 6.375% per annum.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 25. CONVERTIBLE BONDS (continued)

The movement of the liability and derivative components of the convertible bonds for the year ended 31 December 2013 is set out as below:

	At 31 December 2013 HK\$'000 (audited)
<b>Liability component</b>	
At the beginning of the year	2,742,781
Interest charged	71,136
Interest paid	(7,950)
Conversion during the year	(399,486)
Redemption during the year	(2,406,481)
At the end of the year	–
<b>Derivative components</b>	
At the beginning of the year	308,563
Change in fair value	(308,236)
Conversion during the year	(327)
At the end of the year	–
Total convertible bonds	–

## 26. MEDIUM TERM NOTE

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
Medium term note	<b>3,100,600</b>	3,101,600
Origination fee	<b>(34,411)</b>	(36,106)
	<b>3,066,189</b>	3,065,494

On 6 December 2012, the Group established a US\$1 billion guaranteed medium term note programme, under which unsecured notes may be issued from time to time in various currencies and amounts with fixed or floating rates to be set upon issuance of notes and will be guaranteed by the HSBC Institutional Trust Services (Asia) Limited, trustee of Champion REIT. On 17 January 2013, the Group issued US\$400,000,000. The issued medium term note bears interest at a fixed rate of 3.75% per annum and is repayable in full on 17 January 2023. The currency rate and interest rate are fixed by the use of cross currency swaps.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 27. SHARE CAPITAL

	30 June 2014 (unaudited)		31 December 2013 (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	<b>800,000</b>	<b>400,000</b>	800,000	400,000
Issued and fully paid:				
<b>Shares of HK\$0.50 each</b>				
Balance brought forward	<b>639,276</b>	<b>319,638</b>	631,399	315,700
Issued upon exercise of share options under the share option schemes	<b>754</b>	<b>377</b>	2,897	1,448
Issued as scrip dividends	<b>15,706</b>	<b>7,853</b>	4,980	2,490
Balance carried forward	<b>655,736</b>	<b>327,868</b>	639,276	319,638

During the six months ended 30 June 2014, 15,706,487 (year ended 31 December 2013: 4,979,854) shares of HK\$0.50 each in the Company were issued at HK\$26.44 (31 December 2013: HK\$32.04) per share as scrip dividends.

## 28. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2014, 15,706,487 (year ended 31 December 2013: 4,979,854) shares of HK\$0.50 each in the Company were issued at HK\$26.44 (31 December 2013: HK\$32.04) per share as scrip dividends.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 29. 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:

	Number of share options (unaudited)
Outstanding at 1 January 2014	8,790,500
Granted during the period	3,837,000
Exercised during the period	(754,000)
Lapsed during the period	(285,000)
Outstanding at 30 June 2014	11,588,500

The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$26.50 and HK\$28.03 under the 1999 Share Option Scheme and 2009 Share Option Scheme, respectively, for the six months ended 30 June 2014.

During the period, 3,537,000 and 300,000 share options were granted on 27 February 2014 and 17 March 2014, respectively. The closing prices of the Company's shares immediately before 27 February 2014 and 17 March 2014, the date of grant, were HK\$25.40 and HK\$27.00, respectively. The fair values of the options determined at the date of grant using the Black-Scholes option pricing model were derived with the following significant assumptions:

Date of grant:	17.3.2014	27.2.2014
Exercise price:	HK\$27.55	HK\$26.05
Expected volatility (note a):	27.69%	27.76%
Expected dividend yield (note b):	2.70%	2.89%
Expected life from grant date:	5 years	5 years
Risk free interest rate (note c):	1.74%	1.71%
Fair value per option:	HK\$5.46	HK\$5.06

Notes:

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

The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. Change in variables and assumptions may result in changes in the fair value of the options.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 30. COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2014, the Group has authorised capital expenditure for investment properties and property, plant and equipment which is not provided in the condensed consolidated financial statements amounting to HK\$192,180,000 (31 December 2013: HK\$103,599,000) of which HK\$100,310,000 (31 December 2013: HK\$77,436,000) was contracted for.

At 30 June 2014, the Group has outstanding financial commitment in respect of capital injection to a joint venture of RMB25,800,000 (equivalent to HK\$32,160,000) (31 December 2013: RMB25,800,000 (equivalent to HK\$33,050,000)).

On 15 April 2014, the Group entered into two cooperation agreements with China Orient Asset Management (International) Holding Limited in relation to the formation of the China Investment Fund ("China Fund") and the U.S. Real Estate Fund ("U.S. Fund"). The total capital commitment (in form of respective cash and injection of properties) of the Group in the China Fund and the U.S. Fund will be approximately US\$110,000,000 and US\$230,000,000 respectively. Formation of the China Fund was completed on 4 June 2014. Both funds have not yet called for capital injection by the end of the reporting period.

On 30 May 2014, the Group signed a sale and purchase agreement for the acquisition of a hotel property located at Washington D.C., USA at the final consideration of US\$71,625,000. Deposit of US\$12,500,000 was paid by the end of the reporting period. Closing was completed on 15 July 2014.

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

## 31. 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 (the "Chairman") and managing director 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, both being Directors of the Company who are also close family members of the Chairman, has controlling interests. Mr. Lo Hong Sui, Vincent, Mr. Lo Kai Shui, the Chairman and other family members are among the beneficiaries under a family trust holding 33.42% interest, which is a substantial shareholder of the Company. Connected party includes a company in which a director of a subsidiary has beneficial interest.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 31. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	Six Months Ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Transactions with a related party for the period</b>		
Dr. Lo Ka Shui		
Management fee received	600	450
<b>Transactions with related companies for the period</b>		
Sun Fook Kong Holdings Ltd and its subsidiaries		
Rental income	3,416	2,806
Building management fee income	512	484
Trading income	–	307
Carpark income	87	60
Consultancy service income	150	300
Cleaning service charge	6,049	6,408
Construction work	–	901
SOCAM Development Limited and its subsidiaries		
Trading income	20	1,676
Shui On Land Limited and its subsidiaries		
Licence fee and hotel management fee income	746	364
Reimbursable centralised hotel expenses	459	472
Supply procurement and consultancy services income	–	542
Shui Sing Holding Limited and its subsidiaries		
Rental expenses	300	300
Management fee expense	268	300
Management fee income	120	120
<b>Transaction with a connected party for the period</b>		
Haining Hai Xing Hotel Co. Ltd.		
Supply procurement and consultancy services income	818	–
<b>Transactions with associates for the period</b>		
MGIL and its subsidiaries		
Licence fee and hotel management fee income	5,626	4,830
Reimbursable centralised hotel expenses	3,730	2,800
<b>Transactions with a joint venture for the period</b>		
Wealth Joy and its subsidiaries		
Investment management income	5,929	5,929
Project advisory service income	10,331	10,175
Supply procurement and consultancy services income	7,248	1,457

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 31. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

	<b>30 June 2014 HK\$'000 (unaudited)</b>	31 December 2013 HK\$'000 (audited)
<b>Balances with associates, a joint venture, related companies and a connected party as at</b>		
Amounts due from associates (see note 13(b))		
Crucial Investments Limited	<b>23</b>	23
City Apex Limited	<b>12,054</b>	12,054
MGIL and its subsidiaries <sup>1</sup>	<b>144,296</b>	144,296
	<b>156,373</b>	156,373
Amounts due from associates <sup>2</sup> (included in trade debtors under debtors, deposits and prepayments) MGIL and its subsidiaries	<b>2,496</b>	5,989
Amount due from a joint venture <sup>2</sup> (included in trade debtors under debtors, deposits and prepayments) Wealth Joy and its subsidiaries	<b>56,593</b>	48,888
Amounts due from related companies <sup>2</sup> (included in debtors, deposits and prepayments) Sun Fook Kong Holdings Ltd and its subsidiaries	<b>41</b>	41
SOCAM Development Limited and its subsidiaries	<b>226</b>	678
Shui On Land Limited and its subsidiaries	<b>412</b>	596
	<b>679</b>	1,315
Amounts due to related companies <sup>2</sup> (included in creditors, deposits and accruals) Sun Fook Kong Holdings Ltd and its subsidiaries	<b>1,139</b>	1,139
Shui On Land Limited and its subsidiaries	<b>748</b>	–
	<b>1,887</b>	1,139
Amount due to a joint venture <sup>2</sup> (included in creditors, deposits and accruals) Wealth Joy and its subsidiaries	<b>10,640</b>	9,067
Amount due to a connected party <sup>2</sup> (included in creditors, deposits and accruals) Haining Hai Xing Hotel Co. Ltd.	<b>13</b>	58

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

## 31. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

Notes:

- <sup>1</sup> The Group injected to MGIL, including investment cost, a total amount of HK\$331,613,000 as at 30 June 2014 (31 December 2013: HK\$331,613,000).
- <sup>2</sup> The amounts are unsecured, interest-free and repayable on demand.

## 32. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group decided to invest, effectively as a limited partner, US\$50,000,000 in the fund managed by the experienced Redwood Peak Partners (the "Fund"). In addition to the limited partner interest, the Group had also obtained a 25% equity stake in the general partner vehicle managing the Fund and is therefore entitled to share in future management and/or performance fees earned by the general partner vehicle. Closing of the subscription was completed on 30 July 2014. Since the transaction constituted a connected transaction under the Listing Rules, a separate announcement containing relevant details was issued by the Group on the same day.

The acquisition of a hotel located in Washington D.C., USA as described in note 12, was completed on 15 July 2014 with a cash consideration of US\$71,625,000.



## DEFINITIONS

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

Term	Definition
"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
"CG Code"	Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"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
"CSR"	Corporate Social Responsibility
"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
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules

## DEFINITIONS

“PRC”	The People’s Republic of China
“RevPAR”	Revenue per available room
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of ordinary share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	United States of America



鷹君集團有限公司  
Great Eagle  
Holdings Limited

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