



Great Eagle Holdings Limited  
鷹君集團有限公司

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

## 2007 INTERIM RESULTS ANNOUNCEMENT

### INTERIM RESULTS

The Board of Directors of Great Eagle Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2007, with comparative figures in 2006, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six Months Ended 30 June	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Revenue	(3)	<b>1,912,738</b>	1,844,942
Cost of goods and services		<b>(1,199,817)</b>	<u>(1,108,396)</u>
Operating profit before depreciation and amortisation		<b>712,921</b>	736,546
Depreciation and amortisation		<b>(147,741)</b>	<u>(126,149)</u>
Operating profit		<b>565,180</b>	610,397
Fair value changes on investment properties		<b>360,734</b>	288,750
Fair value changes on derivative financial instruments		<b>(2,223)</b>	14,524
Fair value changes on held-for-trading investments		<b>12,168</b>	-
Other income		<b>185,687</b>	64,198
Administrative expenses		<b>(74,715)</b>	(69,638)
Other expenses		<b>(6,010)</b>	-
Loss on disposal of property investment subsidiaries		-	(264,620)
Finance costs	(4)	<b>(282,145)</b>	(410,148)
Share of results of associates		<b>7,667</b>	<u>5,630</u>
Profit before tax		<b>766,343</b>	239,093
Income taxes	(5)	<b>(152,532)</b>	<u>(135,527)</u>
Profit for the period	(6)	<b>613,811</b>	<u>103,566</u>



Attributable to:

Equity holders of the parent		<b>613,810</b>	101,603
Minority interests		<u><b>1</b></u>	<u>1,963</u>
		<u><b>613,811</b></u>	<u>103,566</u>
Dividends	(7)	<u><b>150,268</b></u>	<u>119,186</u>
Earnings per share	(8)		
Basic		<u><b>\$1.02</b></u>	<u>\$0.17</u>
Diluted		<u><b>\$1.02</b></u>	<u>\$0.17</u>



## CONDENSED CONSOLIDATED BALANCE SHEET

	At 30 June 2007 HK\$'000 (unaudited)	At 31 December 2006 HK\$'000 (audited)
Non-current assets		
Property, plant and equipment	7,947,890	7,686,901
Prepaid lease payments	1,773,569	1,795,955
Investment properties	14,980,071	14,665,992
Interests in associates	32,270	29,275
Available for sale investments	6,126,671	5,185,176
Loan receivables	12,054	12,377
Pledged bank deposits	334,038	326,465
	<u>31,206,563</u>	<u>29,702,141</u>
Current assets		
Inventories	88,841	86,125
Debtors, deposits and prepayments	540,755	441,883
Held-for-trading investments	68,892	-
Prepaid lease payments	44,771	44,771
Bank balances and cash	2,918,554	2,923,834
	<u>3,661,813</u>	<u>3,496,613</u>
Current liabilities		
Creditors, deposits and accruals	1,164,891	1,237,867
Derivative financial instruments	10,684	8,234
Provision for taxation	112,131	86,609
Borrowings due within one year	1,395,116	538,682
Unsecured bank overdrafts	6,135	4,007
	<u>2,688,957</u>	<u>1,875,399</u>
Net current assets	<u>972,856</u>	<u>1,621,214</u>
Total assets less current liabilities	<u>32,179,419</u>	<u>31,323,355</u>



Non-current liabilities

Borrowings due after one year	8,866,285	9,768,534
Deferred taxation	1,617,871	1,505,886
	<u>10,484,156</u>	<u>11,274,420</u>
<b>NET ASSETS</b>	<b><u>21,695,263</u></b>	<b><u>20,048,935</u></b>

Equity

Share capital	302,248	300,427
Share premium and reserves	21,392,726	19,748,220
Equity attributable to equity holders of the parent	21,694,974	20,048,647
Minority interests	289	288
<b>TOTAL EQUITY</b>	<b><u>21,695,263</u></b>	<b><u>20,048,935</u></b>

Notes:

**Independent Review**

The interim results for the six months ended 30 June 2007 are unaudited, but have been reviewed 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 (“HKICPA”), by Deloitte Touche Tohmatsu, whose report on review of interim financial information is included in the interim report.

**(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 34, “Interim Financial Reporting” issued by HKICPA.

**(2) PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006 with exception of the accounting policy for financial assets at fair value through profit or loss which is newly adopted in current period.

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.



In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC) – Int 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment <sup>5</sup>

<sup>1</sup>Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup>Effective for annual periods beginning on or after 1 March 2006

<sup>3</sup>Effective for annual periods beginning on or after 1 May 2006

<sup>4</sup>Effective for annual periods beginning on or after 1 June 2006

<sup>5</sup>Effective for annual periods beginning on or after 1 November 2006

The adoption of these new HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### (3) BUSINESS SEGMENTS

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

- |                     |  |
|---------------------|--|
| Property investment | - income from leasing of properties and furnished apartments and properties held for investment potential.   |
| Hotel operation     | - hotel accommodation, food and banquet operations.  |
| Other operations    | - sales of building materials, restaurant operation, provision of property management, maintenance and agency services, provision of insurance agency services and fitness centre operation. |

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

Segment information about these businesses is presented below:



**Six Months Ended 30 June 2007**

	<b>Property investment HK\$'000 (unaudited)</b>	<b>Hotel operation HK\$'000 (unaudited)</b>	<b>Other operations HK\$'000 (unaudited)</b>	<b>Eliminations HK\$'000 (unaudited)</b>	<b>Consolidated HK\$'000 (unaudited)</b>
REVENUE					
External sales	384,536	1,356,646	171,556	-	1,912,738
Inter-segment sales	12,028	-	10,535	(22,563)	-
Total	<u>396,564</u>	<u>1,356,646</u>	<u>182,091</u>	<u>(22,563)</u>	<u>1,912,738</u>

Inter-segment sales are charged at a mutually agreed price.

RESULTS					
Segment results	222,300	257,760	174,629		654,689
Unallocated corporate income					57,868
Unallocated corporate expenses					(42,415)
Fair value changes on investment properties	360,734	-	-		360,734
Fair value changes on derivative financial instruments					(2,223)
Fair value changes on held-for-trading investments					12,168
Finance costs					(282,145)
Share of results of associates	-	-	7,667		7,667
Profit before tax					<u>766,343</u>
Income taxes					<u>(152,532)</u>
Profit for the period					<u>613,811</u>



**Six Months Ended 30 June 2006**

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE					
External sales	556,434	1,208,432	80,076	-	1,844,942
Inter-segment sales	7,343	-	10,675	(18,018)	-
Total	<u>563,777</u>	<u>1,208,432</u>	<u>90,751</u>	<u>(18,018)</u>	<u>1,844,942</u>

Inter-segment sales are charged at a mutually agreed price.

RESULTS					
Segment results	371,887	228,259	20,856		621,002
Unallocated corporate income					30,289
Unallocated corporate expenses					(46,334)
Loss on disposal of property investment subsidiaries	(264,620)	-	-		(264,620)
Fair value changes on investment properties	288,750	-	-		288,750
Fair value changes on derivative financial instruments					14,524
Finance costs					(410,148)
Share of results of associates	-	-	5,630		5,630
Profit before tax					239,093
Income taxes					(135,527)
Profit for the period					<u>103,566</u>

**(4) FINANCE COSTS**

	<b>Six Months Ended 30 June</b>	
	<b>2007</b>	2006
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on bank borrowings not wholly repayable within five years	<b>32,315</b>	29,364
Interest on bank borrowings wholly repayable within five years	<b>183,950</b>	316,687
Interest on other loans wholly repayable within five years	<b>58,904</b>	58,032
Other borrowing costs	<b>6,976</b>	6,065
	<u><b>282,145</b></u>	<u>410,148</u>



## (5) INCOME TAXES

	<b>Six Months Ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Current tax:		
Current period:		
Hong Kong Profits Tax	<b>38,519</b>	31,623
Other jurisdictions	<b>12,326</b>	13,689
	<b>50,845</b>	45,312
Overprovision in prior periods:		
Other jurisdictions	<b>(167)</b>	(211)
Deferred tax:		
Current period	<b>101,854</b>	90,426
	<b>152,532</b>	135,527

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

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

## (6) PROFIT FOR THE PERIOD

	<b>Six Months Ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Profit for the period has been arrived at after charging:		
Depreciation on other property, plant and equipment	<b>45,151</b>	34,397
Depreciation on hotel buildings	<b>80,204</b>	69,366
Fitting-out works of investment properties written off	<b>5,940</b>	-
Loss on disposal of property, plant and equipment	<b>70</b>	-
Amortisation of prepaid lease payment	<b>22,386</b>	22,386
Staff costs, including directors' emoluments	<b>526,465</b>	469,325
and after crediting:		
Interest income	<b>73,498</b>	51,907
Dividend income from Champion REIT	<b>83,315</b>	-
Dividend income from other available for sale investments	<b>495</b>	1,535
Gain on disposal of listed investments	<b>17,387</b>	-
Net exchange gain	<b>8,563</b>	3,703





**(7) DIVIDENDS**

<b>Six Months Ended 30 June</b>	
<b>2007</b>	<b>2006</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(unaudited)</b>	<b>(unaudited)</b>

Dividends recognised as distribution during the period:

2006 Final dividend paid – HK25 cents per share	<b>150,268</b>	-
2005 Final dividend paid – HK20 cents per share	-	119,186
	<b>150,268</b>	119,186
Interim dividend declared – HK15 cents per share (2006: HK5 cents per share)	<b>90,687</b>	30,042
2006 Special dividend declared – HK\$5 per share	-	3,004,225
	<b>90,687</b>	3,034,267

During the period, a dividend of HK25 cents (2005: HK20 cents) per share, which included scrip dividend alternatives offered to shareholders, was paid to shareholders as the final dividend for 2006. The scrip dividend alternatives were accepted by the shareholders as follows:

	HK\$'000
Dividends:	
Cash	56,383
Share alternative	93,885
	<b>150,268</b>

**(8) EARNINGS PER SHARE**

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

	<b>Six Months Ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	<b>613,810</b>	<b>101,603</b>
	<b>Six Months Ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
<b>Number of shares</b>		
Weighted average number of shares for the purpose of basic earnings per share	<b>600,988,034</b>	595,534,230
Effect of dilutive potential shares:		
Share options	<b>470,441</b>	1,302,202
Weighted average number of shares for the purpose of diluted earnings per share	<b>601,458,475</b>	596,836,432



## INTERIM DIVIDEND

The Board declares payment of an interim dividend of HK15 cents per share (2006: HK5 cents per share and a special interim dividend of HK\$5 per share) for the year ending 31 December 2007 to those Shareholders whose names appear on the Register of Members of the Company on 17 October 2007. Dividend warrants are expected to be despatched to Shareholders on or about 25 October 2007.

## CLOSURE OF TRANSFER BOOKS

The Register of Members of the Company will be closed from Wednesday, 10 October 2007 to Wednesday, 17 October 2007, both days inclusive, during which period no share transfers will be effected.

For those Shareholders who are not already on the Register of Members, in order to qualify for the interim dividend, all share certificates accompanied by the duly completed transfers must be lodged with the Hong Kong Branch Registrars of the Company, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9 October 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONS REVIEW

#### 1. Rental Properties

##### Hong Kong Rental Properties

##### (a) Rental Income

	Gross Rental Income (HK\$ million)	
	Jan-Jun 2007	Jan-Jun 2006
Citibank Plaza*	-	146.4
Great Eagle Centre	38.7	30.2
Langham Place		
Office	49.4	26.9
Commercial	150.4	160.5
Convention Plaza Apartments	1.7	1.7
Eaton Houses	18.0	15.5
Others	1.6	1.6
Total	<u>259.8</u>	<u>382.8</u>

\* The Group's interests in Citibank Plaza were disposed of to the Champion REIT upon the latter's public listing. Therefore rental income of Citibank Plaza was no longer attributed to the Group after 23 May 2006.



**(b) Occupancy**

	Occupancy at 30 June 2007		
	Office	Commercial	Residential
Langham Place	96.1%	96.3%	-
Great Eagle Centre	97.7%	100.0%	-
Convention Plaza Apartments	-	-	100.0%
Eaton Houses	-	-	80.0% <sup>#</sup>

<sup>#</sup> Average occupancy for six months ended 30 June 2007

**Langham Place**

The Langham Place Mall has firmly established itself as a favourite destination for shoppers in Kowloon. Both footfall and tenants' sales have continued to show remarkable growth in the first half of 2007. Meanwhile, lease-up of the Mall continued with occupancy increasing to 96.3% as of mid-year 2007 from 95.1% at year-end 2006. However the ongoing readjustment of the tenant mix had a moderate negative impact on the rental income in the first half due to down time incurred in association with turnover in tenancies. Gross Rental Income from the commercial portion of Langham Place amounted to HK\$150.4 million in the first six months of 2007 as compared to HK\$160.5 million in the prior year period. The rental income has nevertheless bottomed out, as the majority of the new leasing and renewal deals struck in the first half of 2007 carry a good percentage increase in rents. The favourable impact of the positive rent reversions should show up in subsequent financial periods. We are now in the final stage of the re-tenanting exercise, with a major international fashion retailer and a supermarket scheduled to open for business in the fourth quarter of 2007. These two anchors will further enhance the appeal of the Mall to shoppers.

We have made tremendous progress in leasing up the Office Tower during the first half of 2007. Occupancy jumped from 74.8% at the beginning of the year to 96.1% as of 30 June 2007, after a major U.S. department store took up 7 floors of space for its global sourcing operations. Rent rates have been fairly stable during the six-month period in view of the sizable volume of new supply coming up in the rest of Kowloon in 2008. However the prevailing market rent rates are considerably higher than the passing rents of leases in the Office Tower that are coming up for renewal in the second half of 2007 and early 2008. Therefore there should be further room for office rental income to grow in the second half of 2007.

**Great Eagle Centre**

Great Eagle Centre continued to be well occupied during the first half of 2007 with period-end occupancy rates of 97.7% and 100% for the office and retail portions respectively (31 December 2006: 96% and 100%). Significant positive rental reversion on rollover of leases led to a 28.1% increase in gross rental income to HK\$38.7 million for the first six months of 2007 as compared with HK\$30.2 million for the prior year period.



## **Eaton House Furnished Apartments**

Overall performance benefited from the active corporate market, stimulating demand in these serviced apartments. Gradual recovery in occupancy levels was also seen at Blue Pool Road following completion of room renovations at end of April 2007. Average occupancy for the first half was 80% (2006: 71.2%) and rental income was HK\$18.0 million (2006: HK\$15.5 million).

## **U.S. Commercial Properties**

The performance of the California commercial portfolio was hampered by vacancies at 353 Sacramento Street (14% as of 30 June 2007) and 150 Spear Street (23%), where a number of large tenants paying above-market rents departed in 2006. While some of the space has been re-let, the new leases did not begin until middle and latter part of 2007 and they pay significantly lower rent rates. Gross rental income for the four properties in the first half of 2007 amounted to HK\$82.4 million, down 19.6% from that of HK\$102.5 million for the prior year period. We are expecting progress with leasing in the second half of 2007 with its effect being seen in 2008.

## **2. Investment in Champion Real Estate Investment Trust**

We held approximately 48.3% of the units in Champion REIT as of 30 June 2007. The performance of the REIT in the first six months of 2007 benefited from the continuing strength of the office leasing market in Hong Kong. Total income attributable to the Group in respect of this investment amounted to HK\$138.8 million for the first half of 2007.

## **3. Hotels**

The Hotels Division achieved positive growth during the first six-months of this year as total revenue rose 12% to HK\$1.4 billion from HK\$1.2 billion last year. Focus on capturing high-yield corporate and retail business leading to double digit increase in revenue per available room in many properties was supported by enhancement of the booking system. The three hotels in Hong Kong saw robust performance underpinned by a buoyant economy. Melbourne and Auckland benefited from better market penetration and a good lodging market. London suffered slower growth than predicted with a soft citywide meeting and conference market, while Boston also saw fewer city conventions.

For the remainder of 2007, the completion of refurbishment projects in various hotels will continue to position the Langham brand high in every market that we do business.

To further develop our hotel business, we have successfully secured three management contracts in key cities in China under the Langham Place brand. We will continue to seek further expansion in China and other parts of Asia.

Total net operating profit from the Hotels Division for the first half of 2007 increased 14% to HK\$392 million from HK\$345 million in 2006.



### **Langham Hotel, Hong Kong**

Stable results were achieved as the hotel continued to capitalize on the high-yielding corporate market, which contributed 65% of the total business. For the first 6 months of 2007, the hotel achieved an average occupancy of 84% (2006: 87%) and an average room rate of HK\$1,444 (2006: HK\$1,285).

The completion of the first phase of the room renovation programme in the second half of the year will enable the hotel to enhance its competitive position in the market.

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

Performance continued to strengthen on the back of high brand satisfaction and growing high end retail base, delivering significant market share gains that resulted in a sharp 18% rise in average room rate to HK\$1,240 for the first half of 2007 (2006: HK\$1,049). Average occupancy also improved to 87% (2006: 83%). All food and beverage outlets turned in excellent results.

### **Eaton Hotel, Hong Kong**

Revenue growth for the first half of the year benefited from the vibrant economy and steady increase in Internet bookings as well as strong meetings and conference activities. The combination of targeting high-yield corporate and retail market and reducing contracted leisure groups has resulted in average room rate rising 15% to HK\$820 in the first six months of 2007 (2006: HK\$712) while occupancy remained stable at 87% (2006: 88%). Food and beverage outlets were well supported by numerous corporate meetings and wedding functions.

Refurbishment programmes in rooms and outlets are scheduled for the latter half of 2007 to deliver higher quality products for further market share gains.

### **Langham Hotel, London**

Softer than forecast performance for the first half of 2007 resulting from weaker demand in citywide meetings and conferences and disruption from the renovation works underway. Occupancy for the first 6 months of 2007 slipped to 68% (2006: 73%) but average room rate rose to £187 (2006: £169).

Phased renovation is ongoing to re-position the hotel as the flagship property for the Langham brand and one of the leading luxury brands in London. The renovation programme will run until the end of 2008.

### **Langham Hotel, Boston**

The city of Boston was impacted by fewer conventions during the first half of the year reducing the demand from business travelers. Revenue Per Available Room at the Langham has however continued to grow in the first half of 2007 as the recent completion of room renovation has supported average room rate growth of 9% to US\$238 (2006: US\$218) though average occupancy declined moderately to 68% (2006: 72%).



### **Langham Hotel, Melbourne**

The hotel posted good performance and healthy Revenue Per Available Room growth spurred by good market penetration and several major international events. For the first 6 months of 2007, the hotel achieved an average occupancy of 83% (2006: 79%) and an average room rate of A\$232 (2006: A\$215).

Renovated food and beverage outlets have received good publicity and favourable guest comments allowing the hotel to strategically price itself at the top end of the market. Planned refurbishment of the banquet rooms in the second half of the year will help position the hotel to capture a larger share of the lucrative meeting & conference market.

### **Langham Hotel, Auckland**

Since the completion of the room and lobby refurbishment project in the first quarter of 2006, the hotel has gained substantial market share and is more widely recognized as one of the best five-star hotels in Auckland. This has boosted hotel's performance for the first half of 2007 as improvement in revenue came from targeting corporate, meetings and conference businesses while displacing lower yield aircrew business. For the first 6 months of 2007, the hotel achieved an average occupancy of 77% (2006: 70%) and average room rate of NZ\$162 (2006: NZ\$140). Strong catering sales also contributed significantly in sustaining the revenue flow.

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

Both occupancy and room rates for the first half of 2007 remained in line with last year, as the hotel faced keen competition from recently renovated properties in the vicinity. For the first 6 months of 2007, the hotel achieved an average occupancy of 67% (2006: 68%) and average room rate of C\$138 (2006: C\$134).

## **4. Trading**

In the first half of 2007, competition in the construction material business in Hong Kong remained heated with a general reduction in the construction of new commercial and residential buildings. The Trading Division continued to seek diversification of the business by exploring the China and Macau markets as well as the home appliances market in Hong Kong. Revenue for the first six months of 2007 increased by HK\$25.3 million to HK\$50.5 million.

## **5. Property Management**

The revenue received from property management activities for the first 6 months of 2007 amounted to HK\$10.0 million, which was 9.9% higher than that of last year, as a result of increase in manager's remuneration.

The revenue of the Engineering section for the first half of 2007 rose to HK\$18.6 million, as compared to that of HK\$9.0 million for the same period in 2006. The increase was due to more jobs generated from tenants of the Group's office buildings and gradual pick up of the fire services installation business.



## FINANCIAL REVIEW

### 1. Debt

Our gross debts denominated in HK dollars amounted to HK\$6,342 million as of 30 June 2007, all of which was on floating rate basis. Our foreign currency gross debts as of 30 June 2007 amounted to the equivalent of HK\$3,920 million, of which the equivalent of HK\$1,250 million, or 32% of our foreign currency debts, was on fixed-rate basis. Net of cash and bank deposits totaling the equivalent of HK\$3,253 million, our consolidated Net Attributable Debt outstanding as of 30 June 2007 was HK\$7,010 million, a decrease of HK\$44 million from that of HK\$7,054 million as of 31 December 2006.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30 June 2007 and the depreciated costs of the Group's hotel properties, amounted to HK\$21,695 million as of 30 June 2007. The resulting gearing ratio at 30 June 2007 was 32%, which implies a loan-to-value ratio of 24%.

As at 30 June 2007, we had outstanding interest rate swaps with a total notional principal of HK\$568 million equivalent.

### 2. Finance Cost

The net finance cost of HK\$208 million incurred in the first half of 2007, a decrease of HK\$150 million from the HK\$358 million for the prior year period, as a result of the decrease in borrowings after receipt of the proceeds from the Champion REIT IPO.

Interest cover for the first half of 2007 was 3.71 times, as compared with 1.93 times for the same period last year.

### 3. Liquidity and Debt Maturity Profile

As of 30 June 2007, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$5,514 million. The majority of our loan facilities is medium term in nature and is secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 30 June 2007:

Within 1 year	13.7%
1 - 2 years	26.1%
3 - 5 years	52.6%
More than 5 years	7.6%

### 4. Pledge of Assets

At 30 June 2007, properties of the Group with a total carrying value of approximately HK\$24,456 million (31 December 2006: HK\$23,919 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and deposits of approximately HK\$334 million (31 December 2006: HK\$326 million) were mortgaged or pledged to secure credit facilities granted to its subsidiaries.



## 5. Commitments and Contingent Liabilities

At 30 June 2007, the Group has authorised capital expenditures not provided for in these financial statements amounting to approximately HK\$157 million (31 December 2006: HK\$86 million) of which approximately HK\$156 million (31 December 2006: HK\$85 million) was contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities at 30 June 2007.

## SUMMARY AND OUTLOOK

The spin-off of our interests in Citibank Plaza by way of the Champion REIT floatation in May 2006 has delivered the desired results. The significant reduction in our debts was also largely responsible for the HK\$149.6 million reduction in net financial expenses for the first six months of 2007. In view of the favourable rental reversion trends at Citibank Plaza, the income and cashflow of Champion REIT are poised for significant growth in the second half of 2007 and in the subsequent years. This should lead to a proportionate increase in dividend in favour of the Group. Champion REIT should therefore become an increasingly more important source of income for the Group in the coming several years.

Our hotels in Hong Kong will be the main drivers of the performance of the Hotels Division in the second half of 2007. We are expecting good growth in the overall profitability of the hotel portfolio for the year, albeit at a more moderate rate as compared to 2006. At the same time we will be seeking further development of our hotel business by leveraging on the Langham brand, which has been gaining wider recognition in China and other Asian countries. We have made a good start by securing a number of hotel management contracts in key cities in China. We are encouraged by the prospects of this business but recognize that it will take time to build up a critical mass of properties as well as the income stream.

The Langham Place Mall has been gaining popularity among shoppers, with an ever-improving offering of retail shops and restaurants. By the end of this year, the tenant-mix refinement initiative will have been largely completed. The present favourable rental reversion trends should support good growth in income for the Mall in the coming year.

The Office Tower of Langham Place and Great Eagle Centre are both almost fully leased. This should mitigate the potential market risk associated with an increase in new supply of office buildings from 2008 onwards. The current rent reversionary patterns of these two properties also point to further growth in their rental income in the coming year.

## STAFF

The total number of employees in the Group was 3,943 as of 30 June 2007. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In order to enhance employee relations and communications, regular meetings of general staff with senior management have been arranged for the period, with particular emphasis on performance management.





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

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

## **AUDIT COMMITTEE**

The financial statements for the six months ended 30 June 2007 have been reviewed by the Audit Committee of the Company.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six-month period ended 30 June 2007, the Company had complied with the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Stock Exchange Listing Rules except certain deviations and, where appropriate, adopted some of the recommended best practices throughout the period under review.

The following deviations from the CG Code provisions in respect of which remedial steps for compliance have been taken or considered reasons are given below.

### **CG Code Provision A.2.1**

#### **Chairman and Chief Executive Officer ( "CEO" )**

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

Dr. Lo Ka Shui is the Chairman of the Board and is also holding the office of Managing Director. This is a deviation from Code Provision A.2.1. The Board considered appropriate to continue the consistent leadership of the Company as it will allow for efficient discharge of the executive functions of the CEO. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals including three Independent Non-executive Directors.

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

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

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

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



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

Under the existing Bye-laws of the Company, the executive chairman and managing directors of the Company are not subject to retirement by rotation. The same provision is contained in The Great Eagle Holdings Limited Company Act, 1990 of Bermuda. As such, the executive chairman and managing directors are by statute not required to retire by rotation. After due consideration, the Board considers that it is not appropriate to propose any amendment to The Great Eagle Holdings Limited Company Act, 1990 simply to require the Chairman and Managing Directors of the Company to retire by rotation.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Stock Exchange Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard as set out in the Model Code throughout the period under review.

By Order of the Board  
**LO Ka Shui**  
*Chairman and  
Managing Director*

Hong Kong, 18 September 2007

*As at the date of this announcement, the Directors of the Company are:*

*Dr. Lo Ka Shui (Chairman and Managing Director), Mr. Lo Kai Shui (Deputy Managing Director), Mrs. Lo To Lee Kwan, \*Mr. Cheng Hoi Chuen, Vincent, \*Professor Wong Yue Chim, Richard, \*Mrs. Lee Pui Ling, Angelina, Mr. Lo Hong Sui, Antony, Madam Law Wai Duen, Mr. Lo Hong Sui, Vincent, Dr. Lo Ying Sui, Archie and Mr. Kan Tak Kwong*

*\*Independent Non-executive Directors*