Great Eagle Holdings Limited
鷹君集團有限公司

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

Annual Report 2005
二OO五年年報

Thursday, April 20, 2006

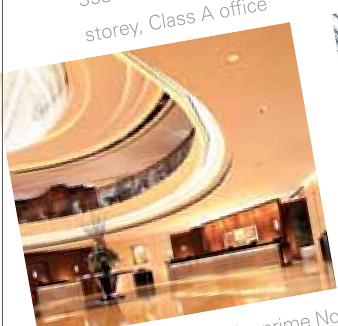
High Quality Properties & Hotels

The Great Eagle Group is one of Hong Kong's leading property and hotel companies. Headquartered in Hong Kong, the Group develops, invests in and manages high quality office, retail, residential and hotel properties in Hong Kong, North America and Europe.

a new hub for retailing and commerce in the busy district of Mongkok.

Overseas Properties

353 Sacramento is a 23-storey, Class A office



building in the prime North of Market financial district of San Francisco. The ... located on the

Sacramento Streets adjacent to the Embarcadero Centre commercial and retail complex. 150 Spear Street is an 18-storey, 256,800 square feet, Class-A, high-

rise office tower located in San Francisco's central business district, south of Market Street. Pacific ... Plaza is a Class A

downtown Walnut Creek, in the Bay Area of California. The building is four storeys high with three floors of underground parking. The newly acquired 2700 Ygnacio Valley Road is a Class-A suburban office building located in Walnut Creek, California. The property has a floor area of 106,000 square feet.

Hotels

The Group's extensive hotel portfolio currently comprises eight properties with over 4,700 rooms, including six luxury hotels branded under the Langham name in Hong Kong, London, Boston,

Melbourne and Auckland, the Eaton Hotel in Hong Kong and the Delta Chelsea Hotel in Toronto. Langham Hotels International Limited (a wholly-owned subsidiary of Great Eagle) manages all the hotels with the exception of the Toronto property.

Group Profile 集團概要

The Great Eagle Group is one of Hong Kong's leading property and hotel companies. Headquartered in Hong Kong, the Group develops, invests in and manages high quality office, retail, residential and hotel properties in Hong Kong, North America and Europe. Its core commercial properties comprise 1.8 million square feet of Grade-A office space in the prime commercial districts of Hong Kong and a 1.8 million square feet office, retail and hotel complex known as Langham Place in the prime shopping district of Mongkok, Kowloon. In the United States, it owns four office buildings with a total floor area of 791,000 square feet.

鷹君集團為香港大型地產商及酒店公司。集團總部設於香港，業務以發展、投資及管理優質寫字樓、商場、住宅及酒店物業為主，遍及香港、北美及歐洲。其主要商用物業為座落香港商業中心區之甲級寫字樓，面積達一百八十萬平方呎。集團亦於九龍旺角購物旺區擁有總面積達一百八十萬平方呎的寫字樓、商場物業及酒店綜合項目，命為朗豪坊。於美國亦擁有四幢寫字樓物業，總面積為七十九萬一千平方呎。

The Group's extensive hotel portfolio currently comprises eight properties with over 4,700 rooms, including six luxury hotels branded under the Langham name in Hong Kong, London, Boston, Melbourne and Auckland, the Eaton Hotel in Hong Kong and the Delta Chelsea Hotel in Toronto. Langham Hotels International Limited (a wholly-owned subsidiary of Great Eagle) manages all the hotels with the exception of the Toronto property. The Group is also active in property management and maintenance services as well as building materials trading.

集團之酒店物業遍佈世界各地，現時共有八間酒店，客房數目逾四千七百間。包括六間位於香港、倫敦、波士頓、墨爾砵及奧克蘭以朗廷或朗豪品牌命名的豪華酒店，香港逸東酒店及多倫多Delta Chelsea酒店。除多倫多物業外，其他酒店全部由鷹君集團全資附屬公司朗廷酒店國際有限公司負責管理。集團其他業務包括物業管理及維修，及建築材料貿易。

The Group was founded in 1963 in the form of The Great Eagle Company, Limited, which listed on the Hong Kong Stock Exchange in 1972. In 1990, Great Eagle Holdings Limited, a company incorporated in Bermuda, became the listed company and holding company of the Group.

集團原以鷹君有限公司為首，於1963年創立，並於1972年在香港交易所上市。1990年，由百慕達註冊之鷹君集團有限公司取代其上市地位並成為集團控股公司。

The Group had a profit attributable to equity holder of the parent of HK$10,028 million (approximately US$1,286 million) in financial year 2005 and a net asset value of HK$26,254 million (approximately US$3,366 million) as of 31st December 2005.

2005年財政年度，集團應佔母公司股權持有人溢利為港幣一百億二千八百萬元（約十二億八千六百萬美元），於2005年12月31日資產淨值為港幣二百六十二億五千四百萬元（約三十三億六千六百萬美元）。

Contents 目錄

Corporate Information 公司資料

Directors

LO Ying Shek
Chairman and Managing Director

LO TO Lee Kwan

LO Ka Shui
Deputy Chairman and Managing Director

LO Kai Shui
Deputy Managing Director

CHENG Hoi Chuen, Vincent
WONG Yue Chim, Richard
LEE Pui Ling, Angelina
LO Hong Sui, Antony
LAW Wai Duen
LO Hong Sui, Vincent
LO Ying Sui, Archie
KAN Tak Kwong

Audit Committee

CHENG Hoi Chuen, Vincent
Chairman

WONG Yue Chim, Richard
LEE Pui Ling, Angelina

Remuneration Committee

LEE Pui Ling, Angelina
Chairman

CHENG Hoi Chuen, Vincent
WONG Yue Chim, Richard

Nomination Committee

WONG Yue Chim, Richard
Chairman

CHENG Hoi Chuen, Vincent
LEE Pui Ling, Angelina

Principal Bankers

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

Solicitors

Johnson, Stokes & Master
Clifford Chance

Auditors

Deloitte Touche Tohmatsu

Secretary

TSANG Yiu Wing, Peter

Principal Registrars

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Hong Kong Branch Registrars

Computershare Hong Kong Investor
Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Office

33rd Floor, Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Website

http://www.greateagle.com.hk

董事

羅鷹石
主席兼董事總經理

羅杜莉君

羅嘉瑞
副主席兼董事總經理

羅啟瑞
副董事總經理

鄭海泉
王于漸
李王佩玲
羅孔瑞
羅慧端
羅康瑞
羅鷹瑞
簡德光

審核委員會

鄭海泉
主席

王于漸
李王佩玲

薪酬委員會

李王佩玲
主席

鄭海泉
王于漸

提名委員會

王于漸
主席

鄭海泉
李王佩玲

主要往來銀行

香港上海滙豐銀行有限公司
中國銀行(香港)有限公司
恒生銀行有限公司
花旗銀行

律師

孖士打律師行
高偉紳律師行

核數師

德勤 • 關黃陳方會計師行

秘書

曾耀榮

主要股份過戶登記處

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

股份過戶登記處香港分處

香港中央證券登記有限公司
香港
灣仔
皇后大道東183號
合和中心17樓

註冊辦事處

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

主要辦事處

香港
灣仔
港灣道23號
鷹君中心33樓

網址

http://www.greateagle.com.hk

Financial Highlights 財務摘要

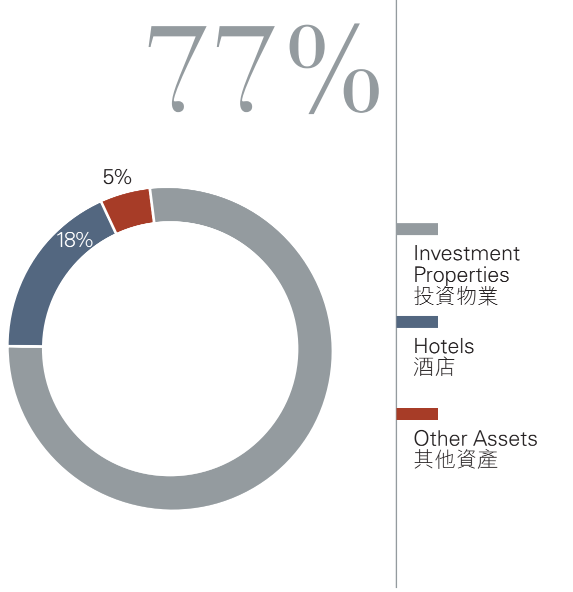
For the year ended 31st December 2005
截至2005年12月31日止年度

	2005 HK$'000 港幣千元	2004 HK$'000 港幣千元 (重列)	Change % 變動
Revenue 收益	**3,521,201**	2,830,822	24%
Profit Before Tax 除稅前溢利	**13,408,911**	4,037,820	232%
Profit Attributable to Equity Holders of the Parent 可撥歸母公司資本持有人應佔溢利	**10,028,139**	3,103,952	223%
Earnings Per Share 每股盈利	**$16.93**	$5.28	221%
Dividend Per Share 每股股息	**$0.235**	$0.165	42%
Equity Attributable to Equity Holders of the Parent 可撥歸母公司資本持有人應佔權益	**24,339,091**	14,640,470	66%
Fixed Assets 固定資產	**46,193,383**	333,858,017	36%
Total Assets 資產總值	**48,497,487**	35,990,283	35%

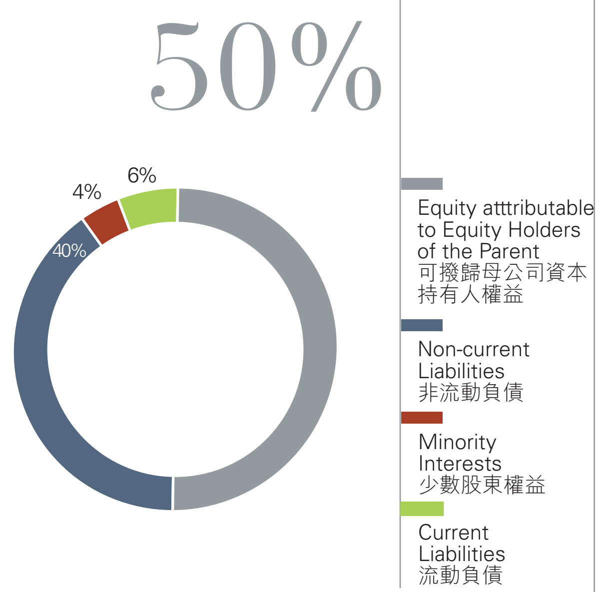
Employment of Assets 資產運用

Assets Employed 資產

(Total Assets HK$48,497 Million)
（資產總值港幣48,497百萬元）

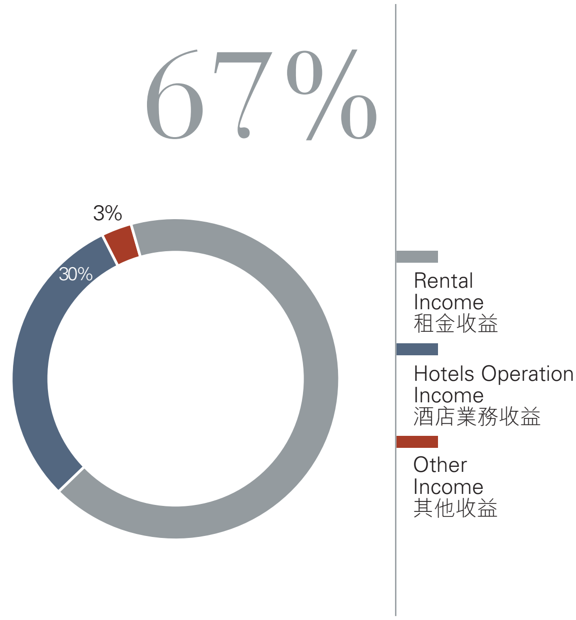


Financed By 代表

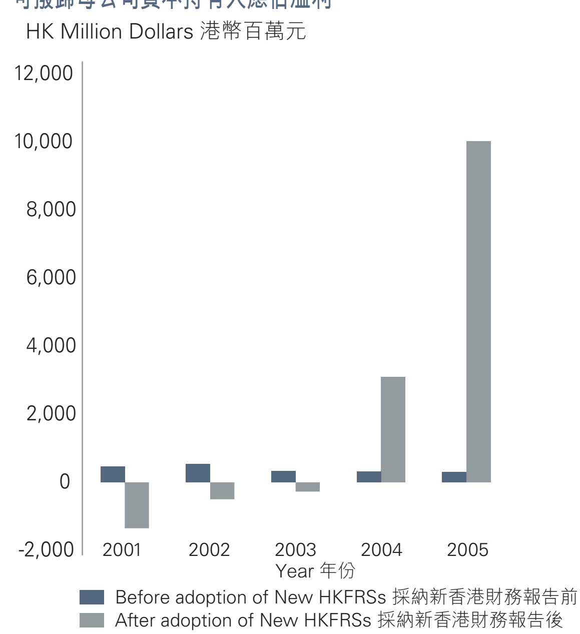


Assets from Operations 經營溢利

(HK$919 Million)（港幣919百萬元）



Profit Attributable to the Equity Holders of the Parent 可撥歸母公司資本持有人應佔溢利



Financial Hub

Grade-A Office Building attracts Major Tenants

Office Market

For its prime location and intelligent technology and first class management and security, Citibank Plaza continues to draw the biggest names.

For its prime location and intelligent technology and first class management and security, Citibank Plaza continues to draw the biggest names like Citibank, HSBC, PCCW Merrill Lynch, Barclays, ICBC and KGI.

Designed to fit for international tenants, Citibank Plaza equips with flexible operation allowing tenants freedom to manage individual office environments. All wire management is conducted under raised floors. The two towers are wired up with fibre optic network that enables high-speed, high-capacity communication. The air conditioning system is managed on a cost-effective area-by-area basis via a digital control unit to allow flexible working hours. Moreover, the two towers linking together from 10th floor above, offers the largest single floor plate in Central thus enabling companies to flexibly expand as their businesses flourish.

Like all Grade-A office buildings, Citibank Plaza is managed by the most experienced professionals. Featuring an advanced security card access system, the property offers staff the freedom to access their offices, 24 hours a day, seven days a week. In addition, closed circuit TV cameras are positioned throughout the building, and highly-trained security guards regularly patrol the complex. There is also a fire protection system deployed within the building for absolute peace-of-mind.

To offer a healthy office environment, Citibank Plaza incorporates a host of facilities to help provide the complete working fusion for tenants. The building is one of the few commercial properties in town that can boast a 20-metre swimming pool, a revitalizing spa, as well as fitness equipment that housed in the complex's personal gymnasium.

All in all, all facilities at Citibank Plaza has been provided with one thing in mind – to ensure everyone who works there is fit and fresh for business.

Citibank Plaza

Situated at the heart of the city's business and financial district, amongst the headquarters of Bank of China, HSBC and Standard Chartered Bank, Citibank Plaza is an easy stroll to some of Hong Kong's most luxurious hotels including Mandarin Oriental, the Marriott, Conrad International and Island Shangri La, while allowing tenants to bypass busy congestion along Queen's Road Central.

With its prime location, Citibank Plaza provides tenants easy access to both public and private transport within immediate reach, as well as 558 parking spaces. A circular taxi rank serves the building during office hours and beyond, while the MTR is a short walk away, as are stops for buses and the perennial short-stop favourite, the tram. Those who reside in Mid-levels can enjoy the convenience of working in a location that is just a few minutes away form home, door-to-door.

Citibank Plaza's distinctly two modern glass towers are a feature of Hong Kong's world-renowned skyline, treating tenants to 360 degrees of spectacular vistas – from the stunning panorama of Victoria Harbour to the lush greenery of Hong Kong Park.

Thursday, April 20, 2006

LANGHAM PLACE

Talk of t
The Pow

More than a major development, Langham Place represents a
– a part of town that never sleeps. Combing 15-storey shoppi
has created a powerful force of synergy. This latest urban land

The long-awaited grand opening ceremony of Langham Place Mall was closed its curtain with a flourish on 25 Jan 2005. The spectacular event saw the presence of Former Chief Executive Tung Chee Hwa and 800 of Hong Kong's leading business and community leaders, including Dr. Stanley Ho, Chairman of Shun Tak Group; Dr Rosanna Wong, Chairman of Education Commission; Mr Michael Tien, Chairman of KCRC, Mr. Dickson Poon, Chairman of Dickson Concepts (International) Ltd.… to name just a few. The "talk-of-the-town" event was highlighted by the debut performance of Incandescence, the world famous British circus theatre company in Hong Kong. The mesmerizing aerial sequences, complemented by magnificent laser and firework effects, brought the event to a dazzling climax.

Within its cool, climate-controlled environment, Langham Place Mall offers almost 600,000 sq. ft. of floor space where shoppers find everything from fashion labels to casual wear, from accessories to electronics – and there's no need to rush as all shops are open till late. Anchored by prominent and high profile retailers including Hong Kong Seibu, i.t and MUJI, as well as UA Cinemas' first 6-screen cineplex in Mongkok, there are about 300 shops in the Mall including over 30 food and beverage outlets.

Among the tenants, about 50% are fashion and cosmetics related with trend setting brands such as A/X Armani Exchange, Fornarina, Benetton, Bread n Butter, F.C.K., Shu Uemura, Miss Sixty and Red Dragon, while about 25% are lifestyle and accessory brands. These include Swarovski, Dickson Watch and Jewellery, Green Field Daikanyama, MAC Look and ctf2.

Level 4A, also also known as the Grand Atrium floor, is the food and beverage hub of the mall with popular eateries including Italian Tomato, Bamboo Restaurant, Genki Sushi, Ajisen Ramen, Chee Kee Wonton Noodles, Honeymoon Desserts, Starbucks Coffee, Pacific Coffee and Red Ant.

The Spiral from Levels 8 to 11 is a trendy zone comprising boutiques offering the latest in Japanese and local designer fashion, limited edition sports shoes and collectibles, toys and unique accessories. The atmosphere here is full of youthful vibrancy as scores of people wander through to check out the latest fads.

The OZone on Level 12 and 13 at the very top of the mall is the place to see and be seen. The selection of chic restaurants, bars and cafes provide the perfect setting for wining and dining style. With live musical performances to jazz up the atmosphere under the hypnotic imagery of the Digital Sky, this is the ultimate venue for people to hang out and chill out till the late, late hours.

To delight Hong Kong's hard-to-please shoppers and fufill promises to tenants, Langham Place continues to aggressively promote and drive customer traffic. A series of activities were held for everyone's participation. This includes utilising various communication channels to share Langham Place's lastest news and trend developments while promotion events in different scales were arranged throughout the year.

The festive lunar new year holidays were a golden period for the public to enjoy their shopping spree. The Langham Place Mall extended opening hours and arranged an array of festive programmes to enhance the delightful shopping atmosphere. The mall was turned into a gold fish wonderland to create a festive mood for shoppers. The interior decoration revolved around the theme of gold fish, a symbol of wealth and prosperity in Chinese tradition. On top of vividly sculpted gold fish display pieces, three gold fish helium air balloons by remote control were set free swimming across the sky of the Atrium.

the Town
ver of Three

a complete makeover of Mongkok. For years, this bustling district has been the heartbeat of Kowloon ng mall, 59-level intelligent Grade A office tower and 5-star Langham Place Hotel, Langham Place dmark heralds the onset of new shopping, dining, entertaintment experiences.

At Valentine's Day, romance was in the air at the mall. Any shopper with spending of HK$300, or by donating HK$50 to Medecins Sans Frontieres, could post a private message to his or her beloved on the LED screen at Atrium. This romantic promotional campaign not only boosted sales but also let customers truly spoke heart to heart.

In May 2005, Langham Place Mall staged Hong Kong's largest ever public art installation in the city, Entitled 'Box - A Hong Kong Exhibition', the Installation is the result of a partnership between Langham Place and thirty-one leading Asian artists, who were either born in Hong Kong or have a deep connection to this city.

The Leading Hotels of the World

Langham has a luxury hotel heritage dating back to 1865 when the Langham Hotel in London originally opened as Europe's first Grand Hotel. For 140 years this flagship hotel has been at the forefront of sophisticated and gracious hospitality.

Every Langham Hotel glows with traditional elegance. Guests upon visiting the hotels can feel the quality of service and attention to detail. Offering a unique blend of tranquility and style, Langham Hotels pamper guests in comfort and 5-star personal attention.

Under the ownership and management of Langham International (LHI), five Langham Hotels, namely the Langham Hotel, London, the Langham Hotel, Boston, the Langham Hotel, Hong Kong, the Langham Hotel, Melbourne and the Langham Hotel, Auckland, are accredited by the prestigious "The Leading Hotels of the World" being some of the world's finest luxury hotels.

In Hong Kong, LHI owns, manages and operates the luxury 490-room Langham Hotel, Hong Kong, the 657-room five-star Langham Place Hotel, Mongkok, Hong Kong, and four-star 461-room Eaton Hotel, Hong Kong. Internationally, it owns and operates four luxury hotels, including the 427-room Langham Hotel, London, the 325-room Langham Hotel, Boston, the 387-room Langham Hotel, Melbourne, the 410-room Langham Hotel, Auckland. In Canada, LHI owns and asset manages the four-star, 1,590-room Delta Chelsea Hotel, Toronto.

The Langham Hotel, Hong Kong is an elegant European-styled sanctuary located in the heart of Tsimshatsui. This entertainment and business district offers the best designer boutique shopping experience in Hong Kong,

Langham Hotels pamper guests in meticulous 5-star luxury

and the Hotel is just a few minutes walk from the world-renowned Victoria Harbour.

Towering 42 storeys above the bustling Mongkok district, the Langham Place Hotel features unique views over Hong Kong and Victoria Harbour. Located in the vibrant heart of the Kowloon peninsula, this luxury hotel offers easy access to the authentic sights, sounds and bustling markets of old Hong Kong.

The Langham Hotel Group's flagship property in London was opened in 1865 and has hosted royalty, foreign dignitaries and celebrities in luxury for over 140 years. This Victorian landmark offering rich heritage was restored and expanded in the 1990's and is conveniently located at the top of Regent Street in the shopping and theatre heartland of London's West End.

The Langham Hotel in Boston, once the Federal Reserve Bank, was originally opened in the heart of the city in 1922. An ideal downtown location next to the finest shopping and attractions including Faneuil Hall, Newbury Street, the Freedom Trail, the Theatre District and the waterfront.

Panoramic city views are breathtaking from this ideal location on the famous Southbank Promenade.

Overlooking the tranquil Yarra River, the Langham Hotel, Melbourne is nestled amongst an abundance of al fresco cafés, restaurants and boutiques.

Situated in the vibrant heart of New Zealand's largest city, the Langham Hotel, Auckland is within walking distance from the spectacular waterfront. The beautiful Domain, an extensive oasis of parks and gardens and the Auckland museum are nearby. The Hotel's complimentary city shuttle loops around town, offering easy access to all local attractions.

As a four diamond rated property; the Delta Chelsea provides 1,590 guestrooms, six restaurants and lounges. Located in the heart of downtown Toronto, it's just minutes away from top theatres, attractions, shopping and dining.

Chairman's Statement

2005 was a year in which the Group's Hong Kong office properties began to emerge from the negative rental reversion cycle of the preceding several years. The growing importance of Hong Kong as a capital fund-raising centre for Greater China enterprises has led to a major increase in investment banking activities. The strong build-up of wealth in the Asia region in recent years and favourable policies of the Hong Kong Government have also supported an accelerating growth of the wealth management sector.

At the same time, China trade has also sustained a healthy level of growth. These significant factors, amidst the growth in the economy of Hong Kong, have created strong demand for office space in Hong Kong at a time when the volume of new supply has actually been decreasing. The resulting shortage has led to a jump in office rent rates during 2005. In the two preceding years we adopted a disciplined leasing strategy whereby we only entered into those leasing transactions that have no restrictions on the upward rental reversionary potential for the landlord. As a result of this strategy, though the vacancy rate at our flagship property Citibank Plaza was temporarily higher than the market average in 2005, we have placed ourselves in a strong position to benefit from the current upturn in rent rates.

Another of the Group's major long term investment project, Langham Place urban renewal development, which was completed in the second half of 2004, made its first full-year revenue contribution to the Group in 2005. It has now firmly established itself as a new hub for retailing and commerce in the busy district of Mongkok. This landmark development has also brought about a visible upgrade of commercial activities in the neighbourhood. Occupancy at the Langham Place Mall remained at a very high level throughout the year. Four floors of the Office Tower were contracted for disposal and approximately 300,000 sq. ft. in the lower portion was let up to year-end 2005. The remainder has been put into an active Kowloon office leasing market which is in short supply. The rental income from the Langham Place Mall and Office Tower will further strengthen the Group's recurring income base and continuously contribute to the Group's long term results.

The continued economic growth in Hong Kong and close association with the Mainland has underpinned the performance of our Hong Kong hotels. The strong demand from high yielding international business travelers led to double-digit REVPAR growth at Langham Hotel, Hong Kong and Eaton Hotel in 2005. Although the growth of Mainland visitor arrivals slowed down in 2005, it had not created adverse impact on our business, as that segment only makes up a small proportion of our total revenues. The Langham Place Hotel made its first full-year contribution in 2005 and its performance outgrew our expectation. The performance of our overseas hotels in 2005 was uneven partly because of the effects of the re-branding exercise. The lag in contributions of the overseas hotels as a whole was however more than made up for by the increased contributions from the Hong Kong hotels.

In the year, the Group adopted a number of revised and new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations, which resulted in some very significant changes to our reported results for 2005. Some of the important items include a HK$12,867 million surplus on revaluation of our investment properties as at 31st December 2005 and a related HK$2,163 million deferred taxation charge, as well as a HK$155 million depreciation charge on hotel buildings. Further explanations and details of the new HKFRSs and their impacts are shown in Note (3) to the Financial Statements.

Operations Review

1 Rental Properties

Hong Kong Rental Properties

(a) Rental Income

	Gross Rental Income HK$million	
	2005	2004
Citibank Plaza	**330.5**	335.3
Great Eagle Centre	**54.6**	53.0
Langham Place	**362.6**	37.2
Eaton Houses	**35.3**	29.5
Convention Plaza Apartments	**3.1**	2.6
Others	**2.4**	5.0
	788.5	462.6

(b) Occupancy and Rental Trend

	Occupancy at 31st December 2005		
	Office	Commercial	Residential
Citibank Plaza	86.1%	100.0%	–
Great Eagle Centre	96.4%	100.0%	–
Langham Place	46.7%	98.5%	–
Convention Plaza Apartments	–	–	100.0%
Eaton Houses	–	–	84.7%

Following the upward trend in the first half of 2005, rent rates of Hong Kong office properties continued to climb at a fast pace in the second half. The trend was particularly acute in the Central business district where a small amount of new supply of office space was far outstripped by very strong demand from the banking and fund management sectors. The vacancy rates of Grade-A office properties in Hong Kong dropped significantly across the board during 2005. The year on year increase in spot rent rates during 2005 was as much as 70% at some of the prime buildings in Central.

Occupancy at **Citibank Plaza** improved from 80.9% at the beginning of 2005 to 86.1% at 31st December 2005. The year-end occupancy level was below the Core Central market average as a result of our selective leasing strategy to optimize the rental rates of individual leases in anticipation of further rise in rent rates at the expense of a slower pace of letting. As rent rates have continued to rise in 2006, we believe this strategy would have a positive impact on our income in the medium term. As reported in our Interim Results, the gross rental income from Citibank Plaza of HK$146.6 million for the first 6 months of 2005 was 21.2% lower than that of the corresponding period in 2004. However with the rapid rise in achieved rent rates, Citibank Plaza has solidly entered a positive rental reversion cycle in the second half of 2005. Together with a higher occupancy rate, the rental income of Citibank Plaza for the second half of 2005 made up for a lot of the slack of the first half, so much so that its full-year income of HK$330.5 million was almost level with that of HK$335.3 million for 2004.

The **Great Eagle Centre** offices remained well occupied during 2005 with a year-end occupancy rate of 96.4% as compared to 98.9% as at 31st December 2004. As the renewal of the larger tenancies in 2005 took place earlier in the year at lower rent rates, the rental income from Great Eagle Centre of HK$54.6 million for 2005 was only marginally higher than that of HK$53.0 million in 2004.

The **Langham Place Mall** had its first full year of operations in 2005. With its unique design and its strategic location, it has become an important shopping centre in Kowloon as well as a popular tourists spot. Occupancy of the Mall at the end of 2005 was at a high level of 98.5%. We are in the process of adjusting the tenant mix to enhance the Mall's attraction to shoppers. Out of the 772,500 sq. ft. of space in the **Langham Place Office Tower**, approximately 327,900 sq. ft. or 46.7% were leased as at 31st December 2005. To reduce the gearing ratio of our Group, four floors comprising approximately 69,600 sq. ft. were contracted for disposal. Completion of disposal of two floors took place in 2005, with the remaining two floors in 2006. In view of the strong demand for quality office

Chairman's Statement

space for letting, we have put up the remaining 375,000 sq. ft., mainly in the high and top zones of the Tower, for leasing in early 2006. The initial market response has been encouraging. In all, the Langham Place Mall and Office Tower contributed HK$362.6 million in gross rental income in 2005, as compared to HK$37.2 million in 2004.

The **Eaton House furnished apartments**, which were reclassified as investment properties in financial year 2005, achieved an average occupancy of 84.2% in 2005 as compared with 81.6% in 2004. Rental income increased by 20% from HK$29.5 million in 2004 to HK$35.3 million in 2005, mainly due to strong demand from the corporate segment.

U.S. Commercial Properties

Net rental income from the U.S. Office portfolio decreased by 30% to HK$83.8 million in 2005 from HK$119.4 million in 2004, mainly because of the reduction in income resulting from the sale of 888 West Sixth Street in Los Angeles in September 2004.

The California markets which bottomed-out in 2004 are experiencing favorable improvement in rental rates, with rates increased by 10% in 2005. However, since rental rates are still below historic levels, there should be some negative rental rate reversions continuing in 2006.

On 20th December 2005, we acquired a Class-A suburban office building located at 2700 Ygnacio Valley Road, in Walnut Creek, California. The property has 106,000 sq. ft. in gross floor area and was 87% occupied. The purchase consideration was US$22.25 million.

2 Hotels

2005 was a milestone year which marked the completion of the Langham re-branding exercise for the Group's five-star hotels. We continued efforts to reinforce Langham as a global luxury hotel brand with the launch of various marketing initiatives throughout the year. To expand our customer reach, we also entered into a number of loyalty, airline and travel consortia partnership programs as well as developed an effective e-business platform to drive web business.

Our strategic focus remains in building our brand and driving greater global recognition of our luxury position. The Hotel Division continues to look for business opportunities to increase our hotel presence in major international cities over time.

Hong Kong Operations

Langham Hotel, Hong Kong

Performance in 2005 was a healthy increment over the previous year with strategic focuses being placed on high yielding corporate business, which was the main contributor to both occupancy and rate growth, making up more than 65% of rooms revenue.

For the year 2005, the hotel achieved an average occupancy of 83% (2004: 81%) and an average room rate of HK$1,145 (2004: HK$977).

Langham Place Hotel, Hong Kong

The Hotel, which opened in August 2004, had its first full year of operation in 2005. The year ended with positive results supported by strengthening room rates and occupancy. This modern, full service, hi-tech hotel has had excellent market acceptance and has been applauded by a number of awards including "Best New City Hotel in Asia – TTG Asia". The luxury oriental spa, Chuan Spa, was launched in the first quarter of 2005 to enrich the hotel's remarkable list of signature services offered to our guests, which underpin its five-star rating.

For the year 2005, the hotel achieved an average occupancy of 74% (Aug – Dec 2004: 71%) and an average room rate of HK$905 (Aug – Dec 2004: HK$758).

Eaton Hotel, Hong Kong

Taking advantage of improved market sentiments, emphasis remained on lifting room rates in all market segments and, in particular, the high yielding corporate business. While occupancy stayed in line with last year, overall room rates improved by 14%. Food & Beverage continued to be a major revenue contributor of the hotel, supported by a 10% growth in the number of restaurant guests and an 18% increase in the average spend per person in banquets.

For the year 2005, the hotel achieved an average occupancy of 87% (2004: 87%) and an average room rate of HK$624 (2004: HK$550).

International Operations

Langham Hotel, London

Having operated for a full year under the Langham brand, both occupancy and room rates had surpassed pre-rebranding levels with an 11.2% increase in REVPAR in 2005, although the improvement was negatively affected by the July bombings in London. The hotel's focus on rate growth strategies will continue, supported by enhancements in electronic distribution which made up 36% of total hotel business in 2005. A phased renovation of the hotel is underway to position the hotel as the Group's flagship luxury property.

For the year 2005, the hotel achieved an average occupancy of 71% (2004: 66%) and an average room rate of £155 (2004: £149).

Langham Hotel, Boston

Overall performance of the hotel remained stagnant with room rate edging ahead by 5% over last year while occupancy dropped marginally. Focus remains on improving occupancy to pre-re-branding levels whilst growing rates through improvement of the corporate and group market during the week and driving marketing for leisure business on the weekends. To further enhance the Langham brand standard in the hotel, refurbishment and redecoration have been scheduled for the coming year for guest rooms and public areas.

For the year 2005, the hotel achieved an average occupancy of 67% (2004: 69%) and an average room rate of US$207 (2004: US$197).

Chairman's Statement

Langham Hotel, Melbourne

Both occupancy and room rates were affected by the re-branding at the beginning of 2005 and that impact mainly arose from the corporate segment. REVPAR ended 4% behind last year. Business regained some lost ground in the latter part of the year as the Langham brand awareness continued to improve and our advertising and sales efforts gained momentum.

For the year 2005, the hotel achieved an average occupancy of 69% (2004: 71%) and an average room rate of A$199 (2004: A$201).

Langham Hotel, Auckland

The Auckland lodging market experienced a gradual slowdown in occupancy for the year 2005 with the Langham Auckland sharing a similar trend. Strong marketing support coupled with an extensive luxurious refurbishment, will enable the hotel to gain momentum and recover market share.

For the year 2005, the hotel achieved an average occupancy of 69% (2004: 74%) and an average room rate of NZ$133 (2004: NZ$135).

Delta Chelsea Hotel, Toronto

The hotel experienced marginal growth in both occupancy and room rate for 2005. The Delta Chelsea's performance remained stable and in line with the market trend and its competitors.

For the year 2005, the hotel achieved an average occupancy of 76% (2004: 73%) and an average room rate of C$127 (2004: C$126).

3 Trading

Property developers' reduced spending on building materials during 2005 had adversely affected the performance of our Trading Division. Revenue slightly increased by 3% to HK$112 million in 2005. To diversify from a highly volatile project business, we started to invest in the retail business. In 2005 we launched Samsung Staron® solid surfaces and 4 new electrical home appliance brands. We will need to invest on brand building to enhance public awareness and look for returns starting 2006.

4 Property Management

Management remuneration received in 2005 amounted to HK$17.2 million representing an increase of 5.52% as compared to that of last year. The increase was due to an additional income of HK$1.1 million generated from the management of Langham Place. Income deriving from the management of other properties remained at the same level of 2004.

Despite the keen competition in the market, income for the engineering division for 2005 rose to HK$23.71 million, an increase of 16.74% as compared to that in 2004. Majority of the revenue was generated from service contracts and medium size jobs. The division commenced the provision of facilities management services for tenants of Langham Place in 2005. There was an increase in the number of jobs after mid-year as a result of higher occupancy at the Group's rental properties.

Financial Review

1 Debt

Consolidated Net Attributable Debt as of 31st December 2005 was HK$14,311 million, a decrease of HK$352 million over that at year-end 2004. No major capital expenditure was incurred in 2005 after the completion of Langham Place. During 2005, two floors in the Langham Place Office Tower were sold for net sales proceeds of HK$292 million, of which HK$107 million was applied towards repayment of debt and HK$185 million was retained for general working capital.

Due to the general uplift in property values during 2005, in particular a significant appreciation in value of Citibank Plaza on the back of a rapid rise in rent rates in Core Central, Consolidated Net Asset Value attributable to Equity Holders of the Parent, based on professional valuation of the Group's investment properties as of 31st December 2005 and other assets at cost, amounted to HK$24,339 million (2004: HK$15,498 million). The gearing ratio at 31st December 2005 improved to 59% as a result.

As at 31st December 2005, we had outstanding interest rate swaps with total notional principal of HK$1,720 million, representing 14.5% of our HK dollar-denominated debts. The rest of our HK dollar debts were on floating-rate basis.

Our foreign currency debts as of 31st December 2005 amounted to the equivalent of HK$4,046 million. These foreign currency borrowings are fully hedged by the value of the underlying properties. Of this, the equivalent of HK$1,260 million, or 31.1% of our foreign currency debts, was on fixed-rate basis as of 31st December 2005.

Chairman's Statement

2 Finance Cost

The net finance cost incurred during 2005 was HK$728.3 million, an increase of HK$336.7 million over that of HK$391.6 million in 2004. The increase was partly caused by the general rise in interest rates and partly because no finance cost had been capitalized in 2005 (2004: HK$131.9 million) after the completion of the Langham Place development.

Overall interest cover for 2005 was 1.58 times, as compared to that of 1.63 times for 2004.

3 Liquidity and Debt Maturity Profile

As of 31st December 2005, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK$2,503 million. The majority of our loan facilities is medium-term in nature and is secured by properties. During 2005, we successfully refinanced the bank loans related to the Langham Place and Langham Hotel, London, extending the final maturity of those loans. In additions, we obtained new bank loans related to the acquisition of 2700 Ygnacio Valley Road. The following is a profile of the maturity of outstanding debts as of 31st December 2005:

Within 1 year	8.76%
1 – 2 years	8.77%
3 – 5 years	72.22%
More than 5 years	10.25%

4 Pledge of Assets

As at 31st December 2005, properties of the Group with a total carrying value of approximately HK$46,286 million (2004: HK$33,809 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$489 million (2004: HK$3.6 million) were mortgaged or pledged to secure credit facilities granted to the Group.

5 Commitments and Contingent Liabilities

As at 31st December 2005, the Group had authorised capital expenditures not provided for in these financial statements amounting to approximately HK$12 million (2004: HK$34 million) of which approximately HK$9 million (2004: HK$19 million) were contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 31st December 2005.

Outlook

Notwithstanding the relatively significant rise in office rent rates in Hong Kong during the past year, the shortage of new supply, especially in the key commercial districts, should lead to further appreciation in rental values. We have the stock available in Citibank Plaza and Langham Place Office Tower to fully capitalize on this office bull market.

The business momentum at our three hotels in Hong Kong has been favourable in recent months. The sustained surge in business travel is supporting a continued growth in room rates. We are therefore expecting another strong performance of our Hong Kong hotels in 2006. After two years of brand building, the Langham name has been gaining recognition in the international travel market. We expect to see further improvement in the results of the Langham hotels in London and Boston after they have emerged from the effects of re-branding and other negative international events. The two southern hemisphere hotels are expected to take some more time to improve their performance.

The significant rise in interest rates during the past year had adversely affected the Group's financial results, though the impact was mitigated by the incremental revenue from Langham Place. Looking forward, interest rates are likely to move further upwards in the coming months. With the anticipated substantial increase in rental revenue from our Hong Kong rental and hotel properties, our cashflow should stay at a healthy position. Nonetheless, we remain committed to our goal to significantly reduce our financial gearing through asset divestiture, so as to enhance our financial maneuverability. We are at present diligently pursuing various alternatives to achieve that objective and will keep shareholders informed as and when appropriate.

Staff

The total number of employees in the Group was 3,739 as at 31st December 2005. 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, certain recreation activities and regular meetings of general staff with senior management were arranged during the year.

Dividends

The Board has resolved to recommend to Shareholders at the forthcoming 2006 Annual General Meeting (the "2006 AGM") the payment of a final dividend of HK20 cents per share for the year ended 31st December 2005 (2004: HK13 cents per share), to be satisfied by way of a scrip dividend with a cash option, to Shareholders whose names appear on the Register of Members on 5th June 2006. Together with the interim dividend of HK3.5 cents per share paid on 20th October 2005, on the assumption that every Shareholder elects to receive all final dividend in cash, the total dividend for the full year will be HK23.5 cents per share (2004: HK16.5 cents per share), amounting to not less than HK$119,128,661 (2004: HK$97,650,449).

Subject to the approval of Shareholders at the 2006 AGM and the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the new shares to be allotted and issued pursuant to the proposed distribution of a scrip dividend mentioned herein, each Shareholder will be allotted fully-paid shares having an aggregate market value equal to the total amount which such Shareholder could elect to receive in cash and will be given the option to elect to receive payment partly or wholly in cash instead of the allotment of shares. Dividend warrants and share certificates in respect of the proposed dividend are expected to be despatched to Shareholders on or about 11th July 2006. Full details of the scrip dividend will be set out in a letter to be sent to Shareholders together with a form of election for cash soon after the 2006 AGM.

Closure of Transfer Books

The Register of Members of the Company will be closed from Monday, 29th May 2006 to Monday, 5th June 2006, 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 final 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 4:00 p.m. on Friday, 26th May 2006.

Annual General Meeting

The 2006 AGM of the Company will be held on Monday, 5th June 2006 and the notice of 2006 AGM will be published in China Daily and Hong Kong Economic Times and despatched to shareholders on or about 28th April 2006.

Finally, I would like to take this opportunity to address my sincere gratitude to my fellow Directors for their guidance and to all staff members for their dedication and hard-work contributed to the Group in the past year.

LO Ka Shui
Deputy Chairman
and Managing Director
Hong Kong, 20th April 2006

Biographical Details of Directors and Senior Management

Directors

Mr. LO Ying Shek

aged 92, has been Chairman and Managing Director since establishment of the Group in 1963 and has been actively involved in property development and investment, and building construction in Hong Kong for more than 40 years.

Madam LO TO Lee Kwan

aged 86, has been a Director of the Group since 1963. She is the wife of the Chairman, Mr. LO Ying Shek.

Dr. LO Ka Shui

aged 59, has been a member of the Board since 1980 and is now Deputy Chairman and Managing Director of the Group. He is a non-executive Director of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited, China Mobile (Hong Kong) Limited and some other publicly listed companies in Hong Kong and was a non-executive Director of Hong Kong Exchanges and Clearing 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 and a Board Member of the Airport Authority. Dr. LO is a son of the Chairman, Mr. LO Ying Shek. He graduated with Bachelor of Science degree from McGill University and a M.D. from Cornell University. He was certified in cardiology. He has more than 26 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. LO Kai Shui

aged 46, was appointed to the Board in 1984 and is now Deputy Managing Director of the Group. Mr. LO is a son of the Chairman, Mr. LO Ying Shek. He graduated from Columbia University with a Bachelor's Degree in Engineering. He has more than 23 years' experience in property development and investment, and building construction.

* Mr. CHENG Hoi Chuen, Vincent

aged 57, was appointed a Director in 1994. He is the Chairman of The Hongkong and Shanghai Banking Corporation Limited and a Group Managing Director of HSBC Holdings plc. He is also Chairman of the Process Review Panel for the Securities and Futures Commission. He graduated from The Chinese University of Hong Kong with B.S.Sc. and from The University of Auckland with a Master's Degree in Philosophy (Economics).

* Professor WONG Yue Chim, Richard

aged 53, was appointed a Director in 1995. He is Deputy Vice-Chancellor and Professor of Economics at the University of Hong Kong. He is a leading figure in advancing economic research on policy issues in Hong Kong through his work as Founding Director of the Hong Kong Centre for Economic Research, Asia Pacific Economic Co-operation Study Centre, and the Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 in recognition of his contributions in education, housing, industry and technology development and was appointed a Justice of the Peace in 2000 by the Government of the Hong Kong Special Administrative Region.

* Mrs. LEE Pui Ling, Angelina

aged 57, was appointed a Director in 2002. She is a practising solicitor in Hong Kong and a partner of the firm of Woo, Kwan, Lee & Lo and is a director of a number of other listed companies in Hong Kong. She is active in public service and is a member of the Main Board Listing Committee and GEM Listing Committee of The Stock Exchange of Hong Kong Limited and a member of certain statutory, advisory and appeal committees. 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 & Wales.

Mr. LO Hong Sui, Antony

aged 64, was appointed a Director of the Group in 1967. He has been actively involved in property development, construction and investment for more than 37 years. Mr. LO is a son of the Chairman, Mr. LO Ying Shek. He graduated from the University of New South Wales with a Bachelor's Degree in Commerce.

Madam LAW Wai Duen

aged 69, has been a Director of the Group since 1963. She graduated from the University of Hong Kong with a Bachelor's Degree in Arts and has been actively involved in the Group's property development and investment in Hong Kong for more than 41 years. She is a daughter of the Chairman, Mr. LO Ying Shek.

Mr. LO Hong Sui, Vincent

aged 57, has been a Director of the Group since 1970. He is also Chairman and Chief Executive of the Shui On Group which he founded in 1971. The Shui On Group is a diversified group engaged in property development, construction and construction materials with interests in Hong Kong and the Chinese Mainland. He is the Chairman of Shui On Construction and Materials Limited, and the Chairman and Chief Executive Officer of Shui On Land Limited – Shui On's flagship property company in mainland established in 2004. He is also a Non-executive Director of Hang Seng Bank Limited and an Independent Non-executive Director of China Telecom Corporation Limited. Mr. LO is a son of the Chairman, Mr. LO Ying Shek.

Dr. LO Ying Sui, Archie

aged 53, has been a Director since 1993. Dr. LO is a son of the Chairman, Mr. LO Ying Shek, and is a practising cardiologist.

Mr. KAN Tak Kwong

aged 54, 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 societies including the Hong Kong Institute of Certified Public Accountants. Mr. KAN has more than 30 years' experience in finance, accounting and administration in the real estate, finance and construction industries.

* *Independent Non-executive Directors*

Note: As at 31st December 2005, KSL Management Limited ("KSL Management"), Surewit Finance Limited ("Surewit"), Good Target Limited ("Good Target"), Hartwick Holdings Limited ("Hartwick"), Adscan Holdings Limited ("Adscan"), Springtime Int'l Limited ("Springtime"), Full Harvest Holdings Limited ("Full Harvest") and Gainsland Investments Limited ("Gainsland") have interests in the share capital of the Company which were disclosed to the Company and The Stock Exchange of Hong Kong Limited under the provisions of Part XV of the Securities and Futures Ordinance of Hong Kong. Mr. LO Ying Shek is a Director of Springtime. Dr. LO Ka Shui is a director of KSL Management and Surewit, Mr. LO Kai Shui is a director of Good Target and Hartwick. Dr. LO Ka Shui and Mr. LO Kai Shui are Directors of Springtime, Full Harvest and Gainsland. Dr. LO Ying Sui, Archie is a Director of Adscan.

Biographical Details of Directors and Senior Management

Senior Management

Mr. TONG Chun Wan
aged 58, joined the Group in 1983 and is now an Assistant Director. He is also the Managing Director of The Great Eagle Development and Project Management Limited. He graduated from the University of Hong Kong with a Bachelor's Degree in Architectural Studies and a Bachelor's Degree in Architecture. He is a registered architect with the Architect's Registration Board, Hong Kong. Mr. TONG has over 27 years' experience in property development and project management in Hong Kong, Mainland China and overseas.

Mr. LEE Ching Ming, Adrian
aged 54, joined the Group in 1994 as an Assistant Director. He is responsible for finance, investment and corporate communications. As Director and General Manager of The Great Eagle Estate Agents Limited, he is also responsible for the marketing, leasing and sales of the Group's properties. He graduated from the University of Hong Kong with a Bachelor of Social Sciences degree. Before joining the Group, Mr. LEE had worked in a major international bank for over 20 years.

Miss NG Yin San, Regina
aged 49, joined the Group in 1993 as an Assistant Director. She is responsible for the negotiation and general handling of commercial investments and projects, and overseeing the legal matters of the Group. She holds graduate and post-graduate qualifications in law from the University of Hong Kong and the University of London. Before joining the Group, Miss NG practised as solicitor for more than 10 years.

Mr. MOK Siu Bun, Terry
aged 52, joined the Group in 1981 and is now the Group's Financial Controller. He has a Master's Degree in Business Administration and has over 24 years' experience in accounting and finance in the real estate industry.

Mr. LEUNG Tat Kai, Henry
aged 52, joined the Group in 2002 and is now a Director and the General Manager of The Great Eagle Properties Management Company, Limited. He is responsible for the management of the Group's property portfolio. Mr. LEUNG has a Bachelor's Degree in Laws and is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom. He has over 20 years' experience in the real estate industry and property management.

Mr. SO Yiu Wah, Eric
aged 62, rejoined the Group in 2002 as Hotel Executive Vice President. He has extensive experience of international hotel management over 34 years.

Mr. Nigel ROBERTS
aged 53, joined the Group in 1999. He previously held a number of general management and corporate positions with renowned luxury hotel companies around the world for over 27 years. Mr. ROBERTS is the Managing Director of the Langham Hotel, Hong Kong and is also the Senior Vice President – Operations at corporate level with the responsibility of ensuring that all Langham Hotels meet our exacting standards in both quality and service.

Mr. Brett BUTCHER
aged 46, joined the Group in 2002 and is now the Managing Director of Langham Place Hotel as well as Senior Vice President of Sales and Marketing for the Group's hotels division. He holds a Bachelor's Degree in Business (Hospitality Management) and has extensive experience in both hotel operations and sales and marketing. His hotel career now spans 26 years and has covered assignments in Asia, the Pacific and North America.

Mr. Kevin Brendan MURPHY
aged 60, joined the Group in 1995. With over 33 years international experience on the five continents gained in senior corporate positions with several major hotel operating and owning companies. He was the Senior Vice President – Development of the Group's hotel division and retired in February 2006.

Mr. CHEUNG Tai Ming, Ringo
aged 44, joined the Group in 1986 and is now the Managing Director of Toptech Co. Limited, the Group's wholly-owned subsidiary, which is involved in the trading of building and architectural products in Hong Kong and Mainland China, an area in which Mr. CHEUNG has extensive experience.

Mr. HO Hon Ching, Barry
aged 43, joined the Group in 2004 as the Group Chief Internal Auditor. He holds a Bachelor's Degree in Economics from the University of Hull, United Kingdom. He is an Associate of the Institute of Chartered Accountants in England and Wales, a Certified Public Accountant in Hong Kong, a Certified Internal Auditor and a Certified Fraud Examiner in USA. He has extensive experience in accounting, statutory auditing and internal auditing.

Mr. TSANG Yiu Wing, Peter
aged 55, joined the Group in 1994 as Company Secretary. He is responsible for the Group's company secretarial matters and also responsible for personnel, office administration and insurance matters in the Group's head office. Mr. TSANG is a Fellow of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. He has 25 years' experience in company secretarial practice.

Corporate Governance Report

The Company is committed to fulfilling its responsibilities to shareholders by ensuring a high standard of corporate governance practices. This report describes its corporate governance practices and explains the applications of the principles of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which became effective on 1st January 2005.

Corporate Governance Practices

The Company has complied with the CG Code provisions except certain deviations and some of the recommended best practices throughout the year ended 31st December 2005. 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.1.7
Board Procedure for Seeking Independent Professional Advice

This CG Code provision requires that there should be a procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

On 7th September 2005, the Board confirmed and ratified the understanding that the normal procedure for proposing a Board resolution should apply to a request to seek independent professional advice at the Company's expenses.

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.

Mr. Lo Ying Shek, the founder of the Company, is the Chairman of the Board and Dr. Lo Ka Shui is the Deputy Chairman. Both Mr. Lo Ying Shek and Dr. Lo Ka Shui are Managing Directors of the Company but the role of CEO has been assumed by Dr. Lo Ka Shui alone since 1985.

After due consideration, the Board determines that the existing structure, which has been working very well, should be maintained in order to ensure consistent leadership for the Company.

Corporate Governance Practices (continued)

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 directors) 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.

CG Code Provision D.1.1 and D.1.2
Delegation by the Board

CG Code Provision D.1.1. requires that when the Board delegates to management, it must give clear directions as to the powers of the management, in particular, with respect to the circumstances where management should report back and obtain prior approval of the Board before making decisions or entering into any commitments on behalf of the Company.

CG Code Provision D.1.2 requires that the Company should formalise the functions reserved to the Board and those delegated to the management.

On 7th September 2005, the Board formally adopted and ratified the following established practice with respect to the functions reserved to the Board and the functions delegated to the management. The Board also formally adopted and ratified the practice of giving directions to the management with respect to circumstances where management should report back to the Board and obtain the prior approval of the Board before making any decisions or entering into any commitments on behalf of the Company.

Corporate Governance Report

Corporate Governance Practices (continued)

CG Code Provision D.1.1 and D.1.2 (continued)
Delegation by the Board (continued)

Functions reserved to the Board:
- provide leadership for the Company and its subsidiaries (collectively, the "Group") and promoting the success of the Group
- determine the overall objectives, strategies, policies and business plan for the Group
- monitor and control the operating and the financial performance of the Group
- formulate risk management policy
- review the effectiveness of the internal control system of the Group
- review and if thought fit, adopt the recommendations of the Audit Committee, Remuneration Committee and Nomination Committee
- review and if thought fit, approve all notifiable and connected transactions under the Listing Rules and all transactions in which any director or directors has/have a conflict of interest
- review and set the corporate governance practices of the Group
- approve public announcements including financial statements
- set the dividend policy for the Group
- approve major acquisitions and dispositions by the Group and the issue or buy-back of equity securities

Functions delegated to the management:
- implement the strategies, policies and business plan for the Group
- undertake day-to-day operation of the Group

CG Code Provision E.1.2
Communication with Shareholders

This CG Code provision requires that the Chairman of the Board should attend the annual general meeting (the "AGM") and arrange for the chairmen of the audit, remuneration and nomination committees (or in the absence of the chairman of any such committee, another member of the committee) to be available to answer questions at the AGM.

The Chairman of the Board and the chairmen/members of the said committees had not attended the AGM held in 2005. The date of the AGM to be held in 2006 was fixed in consultation with the Chairman and Deputy Chairman of the Board as well as the chairmen and members of the aforesaid committees regarding their availabilities of attendance.

Directors' Securities Transactions

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 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 financial year ended 31st December 2005.

Board of Directors

The Board comprises 12 Directors, of whom 3 are Independent Non-executive Directors. The participation of Independent Non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board members for the year ended 31st December 2005 were:

Mr. LO Ying Shek, *Chairman and Managing Director*
Madam LO TO Lee Kwan
Dr. LO Ka Shui, *Deputy Chairman and Managing Director*
Mr. LO Kai Shui, *Deputy Managing Director*
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
Mr. KAN Tak Kwong

* *Independent Non-executive Directors*

Corporate Governance Report

Board of Directors (continued)

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the Independent Non-executive Directors are independent.

The Board has four meetings held during the financial year ended 31st December 2005 and the attendance record, on a named basis, of all the four Board meetings is set out below:

Attendance of individual Directors at Board meetings in 2005

Number of meetings	**4**	
Mr. Lo Ying Shek	0/4	0%
Madam Lo To Lee Kwan	0/4	0%
Dr. Lo Ka Shui	4/4	100%
Mr. Lo Kai Shui	4/4	100%
Mr. Cheng Hoi Chuen, Vincent *	4/4	100%
Professor Wong Yue Chim, Richard *	4/4	100%
Mrs. Lee Pui Ling, Angelina *	4/4	100%
Mr. Lo Hong Sui, Antony	4/4	100%
Madam Law Wai Duen	4/4	100%
Mr. Lo Hong Sui, Vincent	1/4	25%
Dr. Lo Ying Sui, Archie	3/4	75%
Mr. Kan Tak Kwong	4/4	100%

* *Independent Non-executive Directors*

Average attendance rate	**75%**

The relationships (including financial, business, family or other material or relevant relationships) if any, among members of the Board are disclosed in the 2005 Annual Report.

Remuneration of Directors

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

The terms of reference include the specific duties as set out in the CG Code Provision B.1.3 as well as the following:

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

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

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

During the financial year ended 31st December 2005, two meetings of the Remuneration Committee were held on 4th January 2005 and 8th March 2005 respectively. The chairman of the Remuneration Committee and the other two members had attended the two meetings.

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

Corporate Governance Report

Nomination of Directors

The Company established a Nomination Committee on 8th March 2005 and adopted the terms of reference of the Nomination Committee in 2005 in alignment with the provisions set out in the CG Code. The Nomination Committee now comprises all of the three Independent Non-executive Directors, namely, Professor Wong Yue Chim, Richard (who is the chairman of the Nomination Committee), Mr. Cheng Hoi Chuen, Vincent and Mrs. Lee Pui Ling, Angelina.

As there was no change in the Board composition and no new Director was appointed during the financial year ended 31st December 2005, no meeting of the Nomination Committee was held in the year.

Auditors' remuneration

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

	31st December 2005 HK$000	31st December 2004 HK$000
Services rendered		
Audit services	4,581	3,703
Non-audit services		
Taxation services	594	339
Other services	1,099	1
	6,274	4,043

Audit Committee

The Board is responsible for preparing the financial statements and the external auditors have a primary responsibility for auditing and reporting on the financial statements.

The Company established an Audit Committee in 1999 and adopted the terms of reference of the Audit Committee based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants.

The principal duties of the Audit Committee are as follows:

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

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

(c) to consider the appointment and resignation of the external auditor and the audit fee, and to review the external auditor's management letter and management's response to the points raised.

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

During the financial year ended 31st December 2005, two meetings of the Audit Committee were held on 8th March 2005 and 7th September 2005 for discussion of the 2004 annual results and 2005 interim results respectively. The chairman of the Audit Committee and the other two members had attended the two meetings.

The financial statements of the Company for the year ended 31st December 2005 have been reviewed by the Audit Committee.

Corporate Governance Report

Internal Controls

The Board has overall responsibility for the effectiveness of the internal control systems of the Group. The Board delegates such responsibility to the Audit Committee who monitors the internal control systems through the Group's Internal Audit Department.

The Internal Audit Department reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. The annual audit plan and the long-term strategy plan of the Internal Audit Department are approved by the Audit Committee. The Head of Internal Audit Department reports directly to the Deputy Chairman and Managing Director and the Audit Committee of the Group. Results of the audit reviews are submitted in reports to the members of the Audit Committee and discussed in the Audit Committee meetings. The audit reports are also followed up by Internal Audit Department to ensure findings previously identified have been properly resolved.

Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective.

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited financial statements for the year ended 31st December 2005.

Principal Activities

The principal activity of the Company is investment holding.

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

Results and Dividends

The results of the Group for the year are set out in the consolidated income statement. Dividends paid and proposed for the year are set out in note 14 to the financial statements.

Reserves

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

Five Years' Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in Appendix II.

Fixed Assets

The movements in the fixed assets of the Group during the year are set out in notes 16, 17 and 18 to the financial statements.

Details of the major properties of the Group at 31st December 2005 are set out in Appendix I.

Share Capital

The movements in share capital of the Company during the year are set out in note 31 to the financial statements.

Purchase, Sale or Redemption of Shares

During the year ended 31st December 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

Report of the Directors

Share Option Scheme

Details of the Company's Share Option Scheme are set out in this Report from pages 40 to 42 and note 32 to the financial statements.

Directors

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

Mr. LO Ying Shek
Madam LO TO Lee Kwan
Dr. LO Ka Shui
Mr. LO Kai Shui
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
Mr. KAN Tak Kwong

* *Independent Non-executive Directors*

In accordance with the Company's Bye-Laws, Professor WONG Yue Chim, Richard, Madam LAW Wai Duen, Dr. LO Ying Sui, Archie and Mr. KAN Tak Kwong shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The term of office of each Independent Non-executive Director is the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws.

Directors' Interests in the Share Capital of the Company and Associated Corporations

As at 31st December 2005, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong ("SFO") were as follows:

The Company

	Number of shares (Long Positions)						
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of issued share capital	Outstanding share options
LO Ying Shek	4,101,343	–	1,796,563 Note (9)	–	5,897,906	0.99	250,000
LO Ka Shui	7,281,619	–	25,993,974 Note (10)	234,057,789 Note (1)	267,333,382	44.94	500,000
LO Kai Shui	253,161	–	55,413,317 Note (11)	194,085,777 Note (1)	249,752,255	41.99	880,000
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–
LO Hong Sui, Antony	2,892	–	–	–	2,892	–	50,000
LAW Wai Duen	238,402	–	–	194,085,777 Note (1)	194,324,179	32.67	50,000
LO Hong Sui, Vincent	289	–	–	–	289	–	–
LO Ying Sui, Archie	3,855,046	3,700	33,269,396 Note (6)	194,085,777 Note (1)	231,213,919	38.87	–
KAN Tak Kwong	396,042	–	–	–	396,042	0.07	560,000

Report of the Directors

Directors' Interests in the Share Capital of the Company and Associated Corporations (continued)

During the year ended 31st December 2005, movements of the share options granted to Directors (some are also substantial shareholders) under the Company's share option scheme as required to be disclosed according to Rule 17.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

		Number of shares					
Name of Director	*Year of grant of options	Outstanding options at 01/01/2005	Options granted	Options exercised	Options cancelled	Options lapsed on 14/02/2005	Outstanding options at 31/12/2005
LO Ying Shek	2000	130,000	–	(130,000)	–	–	–
	2001	180,000	–	(180,000)	–	–	–
	2002	150,000	–	(150,000)	–	–	–
	2003	150,000	–	(150,000)	–	–	–
	2004	200,000	–	–	–	–	200,000
	2005	–	50,000	–	–	–	50,000
		810,000	50,000	(610,000)	–	–	250,000
LO Ka Shui	2000	130,000	–	(130,000)	–	–	–
	2001	180,000	–	(180,000)	–	–	–
	2002	150,000	–	(150,000)	–	–	–
	2003	150,000	–	(150,000)	–	–	–
	2004	200,000	–	–	–	–	200,000
	2005	–	300,000	–	–	–	300,000
		810,000	300,000	(610,000)	–	–	500,000
LO Kai Shui	2000	130,000	–	(130,000)	–	–	–
	2001	180,000	–	–	–	–	180,000
	2002	150,000	–	–	–	–	150,000
	2003	150,000	–	–	–	–	150,000
	2004	200,000	–	–	–	–	200,000
	2005	–	200,000	–	–	–	200,000
		810,000	200,000	(130,000)	–	–	880,000

Directors' Interests in the Share Capital of the Company and Associated Corporations (continued)

Name of Director	*Year of grant of options	Number of shares: Outstanding options at 01/01/2005	Options granted	Options exercised	Options cancelled	Options lapsed on 14/02/2005	Outstanding options at 31/12/2005
LO Hong Sui, Antony	2005	–	50,000	–	–	–	50,000
LAW Wai Duen	2005	–	50,000	–	–	–	50,000
KAN Tak Kwong	2000	50,000	–	(50,000)	–	–	–
	2001	130,000	–	–	–	–	130,000
	2002	110,000	–	–	–	–	110,000
	2003	100,000	–	–	–	–	100,000
	2004	100,000	–	–	–	–	100,000
	2005	–	120,000	–	–	–	120,000
		490,000	120,000	(50,000)	–	–	560,000
	Total:	2,920,000	770,000	(1,400,000)	–	–	2,290,000

Notes:

(a) Options were granted under the Great Eagle Holdings Limited Share Option Scheme adopted on 10th June 1999.

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

(c) The closing price of the shares of HK$0.50 each of the Company quoted on the Stock Exchange on 16th March 2005, being the business date immediately before the date (17th March 2005) on which share options were granted, was HK$18.05.

(d) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$17.63.

Directors' Interests in the Share Capital of the Company and Associated Corporations (continued)

Notes: (continued)

(e) The fair value of all the options granted under the relevant share option scheme in the current year, measured at the date of grant (17th March 2005), totalled approximately HK$10,647,780. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Expected volatility	:	41.88% based on historical volatility
Expected dividend yield	:	0.95% based on historical dividends
Expected life	:	5 years from grant date
Risk free interest rate	:	3.81% being the approximate yield of 5-year Exchange Fund Note on the grant date

The Black-Scholes option pricing model was developed to estimate the fair value of traded options which do not have vesting restrictions and are fully transferable. This pricing model requires the input of highly subjective assumptions, including the volatility of the share price. As the Company's options are different from traded options and because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the model does not necessarily provide a reliable single measure of the fair value of the share options.

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

Based on the closing price of the Company's share on the date of grant and the above assumptions, the computed fair value under the options granted during 2005 was approximately HK$6.63 per option share.

* Further required particulars of share options granted in each year are set out in note 32 to the financial statements under the heading of Share Option Scheme.

Other than as disclosed above, none of the Directors or their associates had any interest or short position in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests in the Company

As at 31st December 2005, the following Shareholders, not being Directors of the Company, were recorded in the register of interests and short positions in the shares or underlying shares kept under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company:

Name of Shareholder	Number of shares (Long Positions)	Percentage of issued share capital	Notes
KSL Management Limited	39,472,012	6.64	(2)
Surewit Finance Limited	39,175,573	6.59	(2)
Hartwick Holdings Limited	55,194,178	9.28	(3)
Good Target Limited	55,194,178	9.28	(3)
Springtime Int'l Limited	40,139,456	6.75	(4)
Full Harvest Holdings Limited	40,139,456	6.75	(4)
Gainsland Investments Limited	38,068,710	6.40	(5)
Adscan Holdings Limited	33,269,396	5.59	(6)
HSBC International Trustee Limited	243,648,838	40.96	(7)
Powermax Agents Limited	143,082,768	24.06	(8)

Notes:

(1) The 194,085,777 shares of Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie and 194,085,777 shares of the 234,057,789 shares of Dr. LO Ka Shui were the same parcel of shares.

(2) 39,175,573 shares of Surewit Finance Limited, a direct wholly-owned subsidiary of KSL Management Limited ("KSLM"), and 39,175,573 shares of 39,472,012 shares of KSLM were the same parcel of shares. 39,472,012 shares of KSLM were duplicated in the interests of Dr. LO Ka Shui. The said shares were held for a discretionary trust of which Dr. LO Ka Shui was the founder.

(3) Hartwick Holdings Limited and its direct wholly-owned subsidiary, Good Target Limited, were interested in 55,194,178 shares which were the same parcel of shares and were duplicated in the interests of Mr. LO Kai Shui.

(4) These 40,139,456 shares held by Springtime Int'l Limited and Full Harvest Holdings Limited were the same parcel of shares.

(5) These 38,068,710 shares held by Gainsland Investments Limited was duplicated in the interests described in Note (4). This company was a direct wholly-owned subsidiary of Full Harvest Holdings Limited which was a direct subsidiary of Springtime Int'l Limited.

Report of the Directors

Substantial Shareholders' Interests in the Company (continued)

Notes: (continued)

(6) These 33,269,396 shares held by Adscan Holdings Limited were duplicated in the interests of Dr. LO Ying Sui who had entire interest in said company.

(7) 194,085,777 shares of the 243,648,838 shares were the same parcel of shares as described in Note (1). HSBC International Trustee Limited ("HKIT"), as trustee of a discretionary trust in which the persons mentioned in Note (1) were the beneficiaries, were interested in said 194,085,777 shares. 39,472,012 shares of the 243,648,838 shares were the same parcel of shares as described in Note (2). The 2 companies mentioned in Note (2) were the wholly-owned subsidiaries of HKIT. The remaining shares were held by other trusts for which HKIT acted as the trustee.

(8) These 143,082,768 shares held by Powermax Agents Limited were duplicated in the interests of HKIT. This company was a direct wholly-owned subsidiary of HKIT.

(9) These 1,796,563 shares were held by a company in which Mr. LO Ying Shek had entire interest.

(10) These 25,993,974 shares were held by a company in which Dr. LO Ka Shui had entire interest.

(11) 15,273,861 shares of the 55,413,317 shares were held by companies in which Mr. LO Kai Shui had entire interests. The remaining 40,139,456 shares of the 55,413,317 shares were duplicated in the interests described in Note (4) and Mr. LO Kai Shui had indirect controlling interests in the 2 companies mentioned therein.

Other than as disclosed above, no notifications were received by the Company from any person (other than Directors of the Company) of having an interest or short position in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO).

Directors' Interest in Contracts

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

Corporate Governance

The Board and management of the Company are committed to maintain high standards of corporate governance. The Company had complied with the provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the year, with exception of a few deviations. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in pages 28 to 36 of the Annual Report.

Arrangements to Acquire Shares or Debentures

Except for the Great Eagle Holdings Limited Share Option Scheme established by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Service Contracts

There is no service contract with a Director which is not determinable by the Company within one year without payment of compensation (other than statutory compensations).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no statutory restriction against such rights under the laws in Bermuda.

Major Customers and Suppliers

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

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December 2005.

Danations

Donations made by the Group for charitable and other purposes amounted to HK$227,580.

Auditors

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

On behalf of the Board

LO Ka Shui
Deputy Chairman and Managing Director

Hong Kong, 20th April 2006

Report of the Auditors

Deloitte.
德勤

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

We have audited the consolidated financial statements of Great Eagle Holdings Limited (the "Company") and its subsidiaries (the "Group") from pages 47 to 117 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's Directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those consolidated financial statements and to report our opinion to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20th April 2006

Consolidated Income Statement

For the year ended 31st December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Revenue	7	**3,521,201**	2,830,822
Cost of goods and services		**(2,273,950)**	(1,939,204)
Gross profit		**1,247,251**	891,618
Gain on disposal of property investment subsidiaries		**–**	51,862
Fair value changes on investment properties		**12,982,057**	3,781,275
Fair value changes on derivative financial instruments		**258,944**	–
Other income	9	**42,592**	23,264
Administrative expenses		**(135,752)**	(107,003)
Other expenses		**(34,469)**	(52,581)
Depreciation on hotel buildings		**(155,481)**	(117,557)
Amortisation on prepaid lease payments		**(44,771)**	(36,177)
Finance costs	10	**(760,710)**	(404,277)
Share of results of associates		**9,250**	7,396
Profit before tax		**13,408,911**	4,037,820
Income taxes	11	**(2,323,495)**	(746,011)
Profit for the year	12	**11,085,416**	3,291,809
Attributable to:			
Equity holders of the parent		**10,028,139**	3,103,952
Minority interests		**1,057,277**	187,857
		11,085,416	3,291,809
Dividends	14		
Interim, paid		**20,801**	20,638
Final, proposed		**119,129**	76,816
Basic earnings per share	15	**HK$16.93**	HK$5.28
Diluted earnings per share	15	**HK$16.89**	HK$5.27

Consolidated Balance Sheet

At 31st December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	16	**7,302,912**	7,179,517
Prepaid lease payments	17	**1,840,726**	1,885,497
Investment properties	18	**37,049,745**	24,793,003
Interests in associates	19	**18,760**	9,510
Available for sale investments	20	**16,432**	–
Other investments	21	**–**	15,274
Loan receivables	22	**278,344**	270,237
Pledged bank deposits	23	**489,346**	3,604
		46,996,265	34,156,642
Current assets			
Inventories	24	**75,309**	83,371
Debtors, deposits and prepayments	25	**407,991**	314,182
Prepaid lease payments	17	**44,771**	44,771
Bank balances and cash	23	**719,351**	1,391,317
		1,247,422	1,833,641
Non-current assets classified as held for sale	26	**253,800**	–
		1,501,222	1,833,641
Current liabilities			
Creditors, deposits and accruals	27	**1,532,173**	1,453,603
Derivative financial instruments	28	**44,356**	–
Provision for taxation		**92,760**	102,760
Borrowings due within one year	29	**1,390,620**	1,685,710
Unsecured bank overdraft		**3,967**	28,524
		3,063,876	3,270,597
Net current liabilities		**(1,562,654)**	(1,436,956)
Total assets less current liabilities		**45,433,611**	32,719,686

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Non-current liabilities			
Borrowings due after one year	29	**14,526,388**	14,757,166
Deferred taxation	30	**4,653,230**	2,464,425
		19,179,618	17,221,591
NET ASSETS		**26,253,993**	15,498,095
Equity			
Share capital	31	**297,401**	294,883
Share premium and reserves		**24,041,690**	14,345,587
Equity attributable to equity holders of the parent		**24,339,091**	14,640,470
Minority interests		**1,914,902**	857,625
TOTAL EQUITY		**26,253,993**	15,498,095

The financial statements on pages 47 to 117 were approved and authorised for issue by the Board of Directors on 20th April 2006 and are signed on its behalf by:

LO Ka Shui
Director

LO Kai Shui
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December 2005

	Attributable to equity holders of the parent											
	Share capital HK$'000	**Share premium** HK$'000	**Property revaluation reserve** HK$'000	**Investment revaluation reserve** HK$'000	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000 (Note)	**Exchange translation reserve** HK$'000	**Share options reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1st January 2004 as originally stated	292,153	3,137,043	2,942,485	7,113	1,650	402,540	105,174	–	6,899,932	13,788,090	481,560	14,269,650
Effects of changes in accounting policies (note 3)	–	–	(2,942,485)	–	–	–	(66,573)	472	710,958	(2,297,628)	188,208	(2,109,420)
As restated	292,153	3,137,043	–	7,113	1,650	402,540	38,601	472	7,610,890	11,490,462	669,768	12,160,230
Surplus on revaluation of investments	–	–	–	*557*	–	–	–	–	–	*557*	–	*557*
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	*73,229*	–	–	*73,229*	–	*73,229*
Total income recognised directly in equity	–	–	–	*557*	–	–	*73,229*	–	–	*73,786*	–	*73,786*
Revaluation surplus released upon disposal	–	–	–	*(2,406)*	–	–	–	–	–	*(2,406)*	–	*(2,406)*
Profit for the year	–	–	–	–	–	–	–	–	*3,103,952*	*3,103,952*	*187,857*	*3,291,809*
Total recognised income and expense for the year	–	–	–	(1,849)	–	–	73,229	–	3,103,952	3,175,332	187,857	3,363,189
Dividend paid	–	–	–	–	–	–	–	–	(79,129)	(79,129)	–	(79,129)
Shares issued at premium	2,730	48,134	–	–	–	–	–	–	–	50,864	–	50,864
Share issue expenses	–	(58)	–	–	–	–	–	–	–	(58)	–	(58)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	2,999	–	2,999	–	2,999
At 31st December 2004	294,883	3,185,119	–	5,264	1,650	402,540	111,830	3,471	10,635,713	14,640,470	857,625	15,498,095
Effects of changes in accounting policies (note 3)	–	–	–	–	–	–	–	–	(249,921)	(249,921)	–	(249,921)
As restated	294,883	3,185,119	–	5,264	1,650	402,540	111,830	3,471	10,385,792	14,390,549	857,625	15,248,174
Surplus on revaluation of investments	–	–	–	*1,158*	–	–	–	–	–	*1,158*	–	*1,158*
Exchange differences arising on translation of foreign operations	–	–	–	–	–	-	*(60,305)*	–	–	*(60,305)*	–	*(60,305)*
Net income and expense recognised directly in equity	–	–	–	*1,158*	–	–	*(60,305)*	–	–	*(59,147)*	–	*(59,147)*
Profit for the year	–	–	–	–	–	–	–	–	*10,028,139*	*10,028,139*	*1,057,277*	*11,085,416*
Total recognised income and expenses for the period	–	–	–	1,158	–	–	(60,305)	–	10,028,139	9,968,992	1,057,277	11,026,269
Dividend paid	–	–	–	–	–	–	–	–	(97,650)	(97,650)	–	(97,650)
Shares issued at premium	2,518	68,153	–	–	–	–	–	(646)	–	70,025	–	70,025
Share issue expenses	–	(80)	–	–	–	–	–	–	–	(80)	–	(80)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	7,255	–	7,255	–	7,255
At 31st December 2005	297,401	3,253,192	–	6,422	1,650	402,540	51,525	10,080	20,316,281	24,339,091	1,914,902	26,253,993

Note: Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Bermuda Companies Act, the contributed surplus of the Company is available for distribution to shareholders.

Consolidated Cash Flow Statement

For the year ended 31st December 2005

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Operating activities			
Profit before taxation		**13,408,911**	4,037,820
Adjustments for:			
Share of results of associates		**(9,250)**	(7,396)
Gain on disposal of property investment subsidiaries		**–**	(51,862)
Gain on disposal of listed investment		**–**	(2,549)
Loss(profit) on disposal of property, plant and equipment		**130**	(48)
Interest income		**(32,386)**	(12,666)
Interest expenses		**748,799**	394,303
Dividends received from unlisted investments		**–**	(292)
Dividends received from listed investments		**(717)**	(589)
Allowance for doubtful debts		**13,325**	2,537
Depreciation on other property, plant and equipment		**48,109**	18,720
Depreciation on hotel buildings		**155,481**	117,557
Amortisation on prepaid lease payments		**44,771**	36,177
Recognition of share-based payments		**7,255**	2,999
Deferred initial direct cost		**(6,240)**	–
Fair value changes on investment properties		**(12,982,057)**	(3,781,275)
Fair value changes on derivative financial instruments		**(258,944)**	–
Fitting-out works of properties written off		**11,865**	45,395
Operating cash flows before movements in working capital		**1,149,052**	798,831
Decrease (increase) in inventories		**8,062**	(17,298)
Increase in debtors, deposits and prepayments		**(105,718)**	(40,434)
Increase in bills payables, creditors, deposits and accruals		**222,329**	170,273
Cash generated from operations		**1,273,725**	911,372
Interest paid		**(737,519)**	(513,134)
Hong Kong Profits Tax paid		**(53,317)**	(81,041)
Other jurisdictions tax paid		**(27,812)**	(35,131)
Other jurisdictions tax refunded		**1,778**	2,989
Net cash from operating activities		**456,855**	285,055

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Investing activities			
Interest received		30,970	12,550
Dividends received from unlisted investments		–	292
Dividends received from listed investments		717	589
Dividends received from associates		–	2,182
Additions to investment properties		(134,141)	(1,069,520)
Additions to property, plant and equipment		(408,402)	(303,981)
Investments in associates		–	(2,649)
Advance to an associate		–	(5,235)
Advance to minority shareholders		(8,107)	(4,126)
Capital return from an other investment		–	3,897
Proceeds on disposal of investment property		291,849	192,149
Proceeds on disposal of property investment subsidiaries	34	–	174,795
Proceeds on disposal of listed investment		–	5,983
Proceeds on disposal of property, plant and equipment		29	48
Increase in pledged bank deposits		(485,742)	(4)
Net cash used in investing activities		(712,827)	(993,030)
Financing activities			
Dividends paid to shareholders		(46,232)	(34,472)
Issue of shares		18,607	6,207
Share issue expenses		(80)	(58)
New bank loans raised		5,188,186	3,039,561
Repayments of bank loans		(5,551,170)	(1,604,634)
Net cash (used in) from financing activities		(390,689)	1,406,604
(Decrease) Increase in cash and cash equivalents		(646,661)	698,629
Effect of foreign exchange rates changes		(748)	28,108
Cash and cash equivalents at the beginning of the year		1,362,793	636,056
Cash and cash equivalents at the end of the year		715,384	1,362,793
Analysis of the balance of cash and cash equivalents			
Being:			
Bank balances and cash		719,351	1,391,317
Bank overdrafts		(3,967)	(28,524)
		715,384	1,362,793

Notes to the Financial Statements

For the year ended 31st December 2005

1. General

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

The principal activity of the Company is investment holding.

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

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

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods, beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January 2005. In relation to share options granted before 1st January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November 2002 and share options that were granted after 7th November 2002 and had vested before 1st January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November 2002 and had not yet vested on 1st January 2005. Comparative figures have been restated. (see Note 3 for the financial impact).

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies (continued)

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of the current year consolidated financial statements. HKAS 39, which is effective for accounting periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt and equity securities previously accounted for under the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24

Up until 31st December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the year in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that year. From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Investment in securities classified as "non-trading securities" under SSAP 24 had been reclassified as available for sale and accordingly, no adjustment is required.

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies (continued)

Financial instruments (continued)

Financial assets and financial liabilities other than debt and equity securities

From 1st January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. The application of HKAS 39 has had no material effect on financial assets and financial liabilities other than debt and equity securities.

Derivatives and hedging

By 31st December 2004, the Group's derivative financial instruments, mainly comprised interest rate swaps were used to manage the Group's exposure to interest rate fluctuation. The derivatives were previously recorded off balance sheet except for net interest settlement arising on the derivatives, which were previously accounted for on an accrual basis.

From 1st January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designed as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. All derivatives are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39, resulting in the recognition of fair value on derivatives as at 1st January 2005. (see Note 3 for the financial impact).

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies (continued)

Hotel properties

Hong Kong INT-2 "The Appropriate Accounting Policies for Hotel Properties" clarifies the accounting policy for owner operated hotel properties. In previous years, the Group's self-operated hotel properties were carried at revalued amounts and were not subject to depreciation. INT-2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16 "Property, Plant and Equipment", and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for their hotel properties using the cost model. In the absence of any specific transitional provisions in INT-2, the new accounting policy has been applied retrospectively. Comparative figures have been restated (see Note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold interest in land of the hotel properties were measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis and less accumulated impairment losses. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous years, investment properties under SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to the investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The new accounting policy has been applied retrospectively. Comparative figures have been restated. (see Note 3 for the financial impact).

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies (continued)

Investment properties (continued)

The adoption of HKAS 40 has also resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous years, property with 15% or less by area or value that was occupied by the Company or another company in the group would normally be regarded as an investment property in its entirely even though part of it is not held for investment purposes. According to HKAS 40, if a portion of the properties could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. In the current year, the Group applied HKAS 40 and has reclassified certain such owner-occupied properties that could be sold separately (or leased out separately under a finance lease) from investment properties to property, plant and equipment and prepaid lease payment retrospectively. Comparative figures for 2004 have been restated. (see Note 3 for the financial impact).

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP INT- 20). In the current year, the Group has applied HK(SIC) INT-20 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) INT-21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated. (see Note 3 for the financial impact).

Non-current assets held for sale

In the current year, the Group has, for the first time, applied HKFRS 5 "Non-current assets held for sale and discontinued operations". Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. The adoption of this new accounting standard has had no material effect on how the result for the prior accounting years are prepared and presented.

2. Application of Hong Kong Financial Reporting Standards/Changes in Accounting Policies (continued)

Initial direct costs incurred by lessors under operating leases

HKAS 17 "Leases" has eliminated the choice of expensing initial direct costs incurred by lessors in negotiating and arranging an operating lease, the policy previously followed by the Group. Initial direct costs are now required to be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income. This change in accounting policy has had no material impact on how the results of the prior accounting year are prepared and presented.

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	The effects of change in foreign exchange rate – net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC)-INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC)-INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment[3]
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economics[4]

1 Effective for annual periods beginning on or after 1st January 2007.

2 Effective for annual periods beginning on or after 1st January 2006.

3 Effective for annual periods beginning on or after 1st December 2005.

4 Effective for annual periods beginning on or after 1st March 2006.

3. Summary of the Effect of the Changes in Accounting Policies

The effect of the changes in the accounting policies described in Note 2 above on the results for the current and prior year are as follows:

	2005 HK$'000	2004 HK$'000
Decrease in gain on disposal of property investment subsidiaries	–	(17,394)
Gains arising from fair value changes of investment properties	12,866,873	3,742,481
Increase in deferred tax liabilities in relation to fair value gains of investment properties	(2,162,725)	(627,190)
Increase in depreciation arising from reclassification of hotel properties and owner-occupied properties to property, plant and equipment	(159,636)	(117,886)
Decrease in deferred tax liabilities arising from reclassification of hotel properties and owner-occupied properties to property, plant and equipment	23,772	21,490
Increase in amortisation arising from prepaid lease payments	(44,771)	(36,177)
Expenses in relation to share options granted to the directors and employees	(7,255)	(2,999)
Gains arising from fair value changes of derivative financial instruments	258,944	–
Decrease in deferred tax assets in relation to fair value gains of derivative financial instruments	(51,320)	–
Decrease in rental related outgoings arising from deferred initial direct cost	6,240	–
Decrease in finance cost arising from capitalisation of loan front-end fee	25,170	–
Increase in profit for the year	10,755,292	2,962,325
Attributable to:		
Equity holders of the parent	9,724,312	2,791,766
Minority interests	1,030,980	170,559
	10,755,292	2,962,325

3. Summary of the Effect of the Changes in Accounting Policies (continued)

Analysis of increase (decrease) in profit for the year by line items presented according to their function:

	2005 HK$'000	2004 HK$'000
Decrease in cost of goods and services	6,240	–
Decrease in gain on disposal of property investment subsidiaries	–	(17,394)
Increase in fair value changes on investment properties	12,866,873	3,742,481
Increase in fair value changes on derivative financial instruments	258,944	–
Increase in administrative expenses	(7,255)	(2,999)
Increase in other expenses	(4,155)	(329)
Increase in depreciation for hotel buildings	(155,481)	(117,557)
Increase in amortisation on prepaid lease payments	(44,771)	(36,177)
Decrease in finance costs	25,170	–
Decrease in share of results of associates	(275)	(38)
Increase in income taxes	(2,189,998)	(605,662)
	10,755,292	2,962,325

3. Summary of the Effect of the Changes in Accounting Policies (continued)

The cumulative effect of the application of the new HKFRSs on the consolidated balance sheet as at 31st December 2004 and 1st January 2005 are summarised below:

	As at 31st December 2004 (originally stated)	Adjustments	As at 31st December 2004 (restated)	Adjustments	As a 1st January 2005 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance sheet items					
Impact of HKAS 16, 17 and 40:					
Fixed assets	36,202,646	(36,202,646)	–	–	–
Property, plant and equipment	–	7,179,517	7,179,517	–	7,179,517
Investment properties	–	24,793,003	24,793,003	–	24,793,003
Prepaid lease payments	–	1,930,268	1,930,268	–	1,930,268
Impact of HKAS 32 and 39:					
Available-for-sale investments	–	–	–	15,274	15,274
Other investments	15,274	–	15,274	(15,274)	–
Derivative financial instruments	–	–	–	(304,781)	(304,781)
Impact of HK(SIC)-INT-21:					
Deferred tax liabilities	(1,337,873)	(1,126,552)	(2,464,425)	54,860	(2,409,565)
Other asset/liabilities	(16,235,289)	–	(16,235,289)	–	(16,235,289)
Interests in associates	21,887	(12,377)	9,510	–	9,510
Non-current loan receivables	–	270,237	270,237	–	270,237
Total effect on assets and liabilities	18,666,645	(3,168,550)	15,498,095	(249,921)	15,248,174
Share capital	294,883	–	294,883	–	294,883
Share premium	3,185,119	–	3,185,119	–	3,185,119
Retained profits	7,132,989	3,502,724	10,635,713	(249,921)	10,385,792
Property revaluation reserve	6,727,752	(6,727,752)	–	–	–
Investment revaluation reserve	5,264	–	5,264	–	5,264
Exchange translation reserve	214,977	(103,147)	111,830	–	111,830
Share options reserve	–	3,471	3,471	–	3,471
Other reserves	404,190	–	404,190	–	404,190
Equity attributable to equity holders of the parent	17,965,174	(3,324,704)	14,640,470	(249,921)	14,390,549
Minority interests	701,471	156,154	857,625	–	857,625
Total effects on equity	18,666,645	(3,168,550)	15,498,095	(249,921)	15,248,174

3. Summary of the Effect of the Changes in Accounting Policies (continued)

The financial effects of the application of the new HKFRSs to the Group's equity on 1st January 2004 are summarised below:

	As originally stated	Adjustments	As restated
	HK$'000	HK$'000	HK$'000
Share capital	292,153	–	292,153
Share premium	3,137,043	–	3,137,043
Retained profits	6,899,932	710,958	7,610,890
Property revaluation reserve	2,942,485	(2,942,485)	–
Investment revaluation reserve	7,113	–	7,113
Exchange translation reserve	105,174	(66,573)	38,601
Share options reserve	–	472	472
Other reserve	404,190	–	404,190
Equity attributable to equity holders of the parent	13,788,090	(2,297,628)	11,490,462
Minority interests	481,560	188,208	669,768
Total effects on equity	14,269,650	(2,109,420)	12,160,230

4. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intercompany transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates

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

4. Significant Accounting Policies (continued)

Revenue recognition

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

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

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

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that assets net carrying amount.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Service income is recognised when services are provided.

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

Agency commission income is recognised when services are rendered.

Membership fee is recognised as revenue on a straight-line basis over the membership period. Other service income is recognised when the services are rendered. Membership fee and other service fee received in advance are recorded as deferred income.

4. Significant Accounting Policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

Leasehold land held under finance lease	Over the shorter of the term of the lease, or 50 years
Buildings and hotel properties	Over the shorter of the term of the lease, or 50 years
Furniture and fixtures, motor vehicles and plant and machinery	20%

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

Prepaid lease payments

Prepaid lease payments represent upfront premium paid for land cost. Prepaid lease payment is charged to income statement over the term of relevant land leases on a straight line basis.

Leasehold land and buildings under development

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. Significant Accounting Policies (continued)

Investment properties

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset is included in the income statement in the year in which the item is derecognised.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. Significant Accounting Policies (continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

4. Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. Significant Accounting Policies (continued)

Taxation (continued)

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment

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

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

Inventories

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets'previous carrying amount and fair value less costs to sell except for financial assets and investment properties which are measured at fair value.

4. Significant Accounting Policies (continued)

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

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 recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables (including non-current loan receivables, debtors and bank deposits) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit and loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities 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 liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including trade creditors and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. Significant Accounting Policies (continued)

Equity-settled share-based payment transactions

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

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

5. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Investment properties

At 31st December 2005 and 2004, investment properties are stated at fair value based on the valuation performed by independent professional valuers except for the certain investment properties at 31st December 2005. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions.

At 31st December 2005, certain investment properties are stated at fair value based on the valuation performed by the respective directors of the companies comprising the Group. In determining the fair value, the directors have based on a method of valuation which involves certain estimates by reference to recent market prices for similar properties.

Income taxes

At 31st December 2005 and 2004, a deferred tax asset of HK$329,769,000 and HK$385,260,000 in relation to unused tax losses has been recognised as set out in note 30. No deferred tax asset has been recognised in respect of tax losses of HK$1,119,369,000 (2004: HK$1,254,735,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a reversal or further recognition takes place.

5. Key Sources of Estimation Uncertainty (continued)

Share options

The Black-Scholes option pricing model was applied to estimate the fair value of share options granted by the Company. This pricing model requires the input of highly subjective assumptions, including the volatility of the share price. The changes in input assumptions can materially affect the fair value estimate.

6. Financial Risk Management Objectives and Policies

The Group's major financial instruments include loans receivable, trade debtors, bank balances and cash, trade creditors and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group's cash flow interest rate risk relates to floating-rate bank and other borrowings. The Group's fair value interest rate risk relates to fixed-rate short term bank fixed deposits and fixed rate non-current other borrowings. The Group will continue to maintain a reasonable mix of floating rate and fixed rate borrowings and will take further actions to hedge against any foreseeable interest rate exposure, if necessary. The interest rates and terms of repayment of bank and other borrowings of the Group are disclosed in note 29.

(ii) Currency risk

The Group have foreign currency sales and purchases and certain borrowings of the Group are denominated in foreign currencies which expose the Group to foreign currency risk.

(iii) Other price risk

The Group's certain available-for-sale investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk in relation to these investments.

6. Financial Risk Management Objectives and Policies (continued)

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, loan receivables and available-for-sale investments. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures are carried out to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and the flexibility through the use of bank loans and overdrafts. In addition, banking facilities have been put in place for contingency purposes.

7. Revenue

Revenue represents the aggregate of gross rental income, building management fee income, income from hotel and restaurant operations, proceeds from sales of building materials, property management and maintenance income, agency commission and fitness centre operation.

	2005 HK$'000	2004 HK$'000 (restated)
Property rental income	959,537	660,570
Building management fee income	142,204	96,144
Hotel income	2,208,475	1,875,828
Sales of goods	112,317	107,565
Other	98,668	90,715
	3,521,201	2,830,822

8. Business and Geographical Segments

Business segments

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

Property investment	–	income from leasing of properties and furnished apartments and properties held for investment potential.
Hotel operation	–	hotels accommodation, food and banquet operations.
Other operations	–	sales of building materials, restaurant operation, provision of property management, 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.

8. Business and Geographical Segments (continued)

Business segments (continued)

Segment information about these businesses is presented below.

2005

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	1,101,741	2,208,475	210,985	–	3,521,201
Inter-segment sales	29,695	–	31,103	(60,798)	–
Total	1,131,436	2,208,475	242,088	(60,798)	3,521,201
Inter-segment sales are charged at a mutually agreed price.					
RESULTS					
Segment results	674,275	308,779	34,533		1,017,587
Unallocated corporate expenses					(98,217)
Fair value changes on investment properties	12,982,057	–	–		12,982,057
Fair value changes on derivative financial instruments					258,944
Finance costs					(760,710)
Share of results of associates	140	–	9,110		9,250
Profit before tax					13,408,911
Income taxes					(2,323,495)
Profit for the year					11,085,416

8. Business and Geographical Segments (continued)

Business segments (continued)

OTHER INFORMATION

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Consolidated HK$'000
Capital expenditure	209,638	182,015	7,657	399,310
Depreciation on property, plant and equipment	4,525	191,552	7,513	203,590
Amortisation of prepaid lease payments	166	44,605	–	44,771
Non-cash expenses other than depreciation and amortisation	1,746	10,119	130	11,995

BALANCE SHEET

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	38,292,774	9,469,555	209,230	47,971,559
Interests in associates	689	–	18,071	18,760
Unallocated corporate assets				507,168
Consolidated total assets				48,497,487
LIABILITIES				
Segment liabilities	1,017,582	362,504	122,454	1,502,540
Unallocated corporate liabilities				20,740,954
Consolidated total liabilities				22,243,494

8. Business and Geographical Segments (continued)

Business segments (continued)

2004

	Property investment HK$'000 (restated)	Hotel operation HK$'000 (restated)	Other operations HK$'000 (restated)	Eliminations HK$'000	Consolidated HK$'000 (restated)
REVENUE					
External sales	756,714	1,875,828	198,280	–	2,830,822
Inter-segment sales	28,928	–	26,056	(54,984)	–
Total	785,642	1,875,828	224,336	(54,984)	2,830,822
Inter-segment sales are charged at a mutually agreed price.					
RESULTS					
Segment results	531,842	171,350	28,193		731,385
Unallocated corporate expenses					(77,959)
Fair value changes on investment properties	3,781,275	–	–		3,781,275
Finance costs					(404,277)
Share of results of associates	47	–	7,349		7,396
Profit before tax					4,037,820
Income taxes					(746,011)
Profit for the year					3,291,809

8. Business and Geographical Segments (continued)

Business segments (continued)

OTHER INFORMATION

	Property investment HK$'000 (restated)	Hotel operation HK$'000 (restated)	Other operations HK$'000 (restated)	Consolidated HK$'000 (restated)
Capital expenditure	1,579,908	528,388	12,274	2,120,570
Depreciation on property, plant and equipment	357	128,966	6,954	136,277
Amortisation of prepaid lease payment	166	36,011	–	36,177
Non-cash expenses other than depreciation and amortisation	14,834	29,424	1,136	45,394

BALANCE SHEET

	Property investment HK$'000 (restated)	Hotel operation HK$'000 (restated)	Other operations HK$'000 (restated)	Consolidated HK$'000 (restated)
ASSETS				
Segment assets	26,144,058	9,585,855	159,482	35,889,395
Interests in associates	549	–	8,961	9,510
Unallocated corporate assets				91,378
Consolidated total assets				35,990,283
LIABILITIES				
Segment liabilities	769,793	561,943	95,943	1,427,679
Unallocated corporate liabilities				19,064,509
Consolidated total liabilities				20,492,188

8. Business and Geographical Segments (continued)

Geographical segments

A geographical analysis of the Group's revenue by geographical market, is as follows:

	2005 HK$'000	2004 HK$'000 (restated)
Hong Kong	**1,957,162**	1,300,001
North America	**873,210**	850,535
Europe	**357,145**	331,994
Asia Pacific, other than Hong Kong	**333,684**	348,292
	3,521,201	2,830,822

An analysis of the carrying amount of segment assets and additions to fixed assets by the geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		**Additions to fixed assets**	
	2005 HK$'000	2004 HK$'000 (restated)	2005 HK$'000	2004 HK$'000 (restated)
Hong Kong	**42,355,575**	29,826,658	**80,138**	1,887,719
North America	**3,435,144**	3,361,201	**231,151**	28,981
Europe	**1,659,995**	1,663,831	**35,711**	189,313
Asia Pacific, other than Hong Kong	**1,046,773**	1,138,593	**52,310**	14,557
	48,497,487	35,990,283	**399,310**	2,120,570

9. Other Income

	2005 HK$'000	2004 HK$'000
Included in other income are:		
Dividends received from unlisted investments	–	292
Dividends received from listed investments	717	589
Gain on disposal of listed investments	–	2,549
Gain on disposal of property, plant and equipment	–	48
Interest income	32,386	12,666
Net exchange gain	120	–

10. Finance Costs

	2005 HK$'000	2004 HK$'000
Interest on bank borrowings not wholly repayable within five years	78,204	3,495
Interest on bank borrowings wholly repayable within five years	573,592	426,810
Interest on other loans not wholly repayable within five years	20,160	22,164
Interest on other loans wholly repayable within five years	76,843	71,774
Other borrowing costs	11,911	11,898
Total borrowing costs	760,710	536,141
Less: Amount capitalised to property under development	–	(131,864)
	760,710	404,277

11. Income Taxes

	2005 HK$'000	2004 HK$'000 (restated)
Current tax:		
Current year:		
Hong Kong Profits Tax	**50,442**	51,276
Other jurisdictions	**22,932**	43,988
	73,374	95,264
Under(over)provision in prior years:		
Hong Kong Profits Tax	**(241)**	277
Other jurisdictions	**(4,688)**	(196)
	(4,929)	81
Deferred tax (note 30):		
Current year	**2,246,785**	650,814
Underprovision in prior years	**8,265**	–
Attributable to changes in tax rates	**–**	(148)
	2,255,050	650,666
Taxation attributable to the Company and its subsidiaries	**2,323,495**	746,011

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

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

11. Income Taxes (continued)

The tax charge for the year can be reconciled to the profit per income statement as follows:

	2005 HK$'000	2004 HK$'000 (restated)
Profit before taxation	13,408,911	4,037,820
Tax at the domestic income tax rate of 17.5%	2,346,559	706,619
Tax effect of expenses that are not deductible for tax purpose	33,630	21,565
Tax effect of income that is not taxable for tax purpose	(51,663)	(13,690)
Underprovision in prior years	3,336	81
Decrease in opening deferred tax liabilities resulting from changes in applicable tax rates	–	(148)
Tax effect of share of result of associates	(1,619)	7
Tax effect of tax losses not recognised	24,974	35,673
Utilisation of tax losses previously not recognised	(34,868)	(4,221)
Effect of different tax rates of subsidiaries operating in other jurisdictions	11,117	(2,288)
Others	(7,971)	2,413
Tax charge for the year	2,323,495	746,011

12. Profit for the Year

	2005 HK$'000	2004 HK$'000 (restated)
Profit for the year has been arrived at after charging:		
Allowance for doubtful debts	**13,325**	2,537
Auditors' remuneration	**4,563**	4,464
Depreciation on		
– hotel building	**155,481**	117,557
– other property, plant and equipment	**48,109**	18,720
	203,590	136,277
Amortisation of prepaid lease payments	**44,771**	36,177
Loss on disposal of property, plant and equipment	**130**	–
Fitting-out works of properties written off	**11,865**	45,395
Net exchange loss	**–**	752
Operating lease payments on rented premises	**2,485**	2,341
Staff costs, including directors' emoluments	**894,541**	763,648
Cost of inventories recognised as an expense	**320,421**	287,732
Share of tax of associates (included in the share of result of associates)	**275**	38
and after crediting:		
Rental income from investment properties less related outgoings of HK$276,908,000 (2004: HK$167,360,000)	**682,629**	493,210

13. Directors' and Employees' Emoluments

The emoluments paid or payable to each of the twelve (2004: twelve) directors were as follows:

2005

	Fee HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share option HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Mr. LO Ying Shek	60	2,820	–	682	–	3,562
Madam LO TO Lee Kwan	60	–	–	–	–	60
Dr. LO Ka Shui	60	3,761	550	1,303	132	5,806
Mr. LO Kai Shui	60	1,077	135	1,055	54	2,381
Mr. CHENG Hoi Chuen,Vincent	140	–	–	–	–	140
Professor WONG Yue Chim, Richard	125	–	–	–	–	125
Mrs. LEE Pui Ling, Angelina	125	–	–	–	–	125
Mr. LO Hong Sui, Antony	60	1,029	129	–	51	1,269
Madam LAW Wai Duen	60	420	53	–	21	554
Mr. LO Hong Sui, Vincent	60	–	–	–	–	60
Dr. LO Ying Sui, Archie	60	–	–	–	–	60
Mr. KAN Tak Kwong	60	2,590	539	579	130	3,898
	930	11,697	1,406	3,619	388	18,040

13. Directors' and Employees' Emoluments (continued)

2004

	Fee HK$'000	Salaries and other benefits HK$'000	Discretionary bonuses HK$'000	Share option HK$'000 (restated)	Retirement benefits scheme contributions HK$'000	Total HK$'000 (restated)
Mr. LO Ying Shek	20	3,574	29	494	–	4,117
Madam LO TO Lee Kwan	20	–	–	–	–	20
Dr. LO Ka Shui	20	2,946	156	494	93	3,709
Mr. LO Kai Shui	20	1,052	87	494	53	1,706
Mr. CHENG Hoi Chuen, Vincent	–	–	–	–	–	–
Professor WONG Yue Chim, Richard	20	–	–	–	–	20
Mrs. LEE Pui Ling, Angelina	20	–	–	–	–	20
Mr. LO Hong Sui, Antony	20	1,004	84	–	50	1,158
Madam LAW Wai Duen	20	350	29	–	18	417
Mr. LO Hong Sui, Vincent	20	–	–	–	–	20
Dr. LO Ying Sui, Archie	20	–	–	–	–	20
Mr. KAN Tak Kwong	20	2,526	421	261	126	3,354
	220	11,452	806	1,743	340	14,561

Mr. CHENG Hoi Chuen, Vincent, an Independent Non-executive Director, had waived his director's fee for the year ended 31st December 2004.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2004: three) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2004: two) individuals were as follows:

	2005 HK$'000	2004 HK$'000 (restated)
Salaries and other benefits	**5,294**	4,897
Discretionary bonuses	**345**	178
Share option	**366**	145
Retirement schemes contributions	**355**	201
	6,360	5,421

13. Directors' and Employees' Emoluments (continued)

Employees' emoluments (continued)

	2005 Number of employees	2004 Number of employees
Bands:		
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	1	1
HK$3,500,001 – HK$4,000,000	1	–
	2	2

14. Dividends

	2005 HK$'000	2004 HK$'000
Dividends paid:		
– Final dividend of HK13 cents in respect of 2004 (2004: HK10 cents in respect of 2003) per ordinary share	76,849	58,491
– Interim dividend of HK3.5 cents (2004: HK3.5 cents) per ordinary share	20,801	20,638
	97,650	79,129
Dividends proposed:		
– Proposed final dividend of HK20 cents (2004: HK13 cents) per ordinary share	119,129	76,816

A final dividend in respect of 2005 at HK20 cents per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. Earnings Per Share

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

	2005 HK$'000	2004 HK$'000 (restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	**10,028,139**	3,103,952

	2005	2004
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**592,177,466**	587,368,774
Effect of dilutive potential shares:		
Share options	**1,380,383**	1,413,347
Weighted average number of shares for the purpose of diluted earnings per share	**593,557,849**	588,782,121

The following table summarises the impact on both basic and diluted earnings per share as a result of:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2005	2004	2005	2004
Reported figures before adjustments	**HK$0.51**	HK$0.53	**HK$0.51**	HK$0.53
Adjustments arising from changes in accounting policies (see Note 3)	**HK$16.42**	HK$4.75	**HK$16.38**	HK$4.74
Restated	**HK$16.93**	HK$5.28	**HK$16.89**	HK$5.27

16. Property, Plant And Equipment

	Hotel properties	Property under development	Buildings situated in Hong Kong	Furniture and fixture	Motor vehicles	Plant and machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
COST							
At 1st January 2004, restated	5,824,896	8,963,057	15,922	76,114	4,867	3,793	14,888,649
Exchange adjustments	274,516	–	–	1	–	–	274,517
Additions	66,548	1,784,831	34	68,030	570	17	1,920,030
Transfer in (out)	1,910,833	(10,747,888)	–	–	–	–	(8,837,055)
Disposals/written off	(29,927)	–	–	(1,139)	(567)	–	(31,633)
At 31st December 2004, restated	8,046,866	–	15,956	143,006	4,870	3,810	8,214,508
Exchange adjustments	(245,274)	–	–	(2)	–	–	(245,276)
Additions	48,305	–	–	141,368	1,038	5	190,716
Transfer in	146,965	–	207,768	–	–	–	354,733
Disposals/written off	(3,752)	–	–	(6,377)	(135)	–	(10,264)
At 31st December 2005	7,993,110	–	223,724	277,995	5,773	3,815	8,504,417
DEPRECIATION AND IMPAIRMENT							
At 1st January 2004	787,885	–	6,174	63,795	4,055	3,058	864,967
Exchange adjustments	34,314	–	–	1	–	–	34,315
Charge for the year	117,557	–	328	17,694	492	206	136,277
Eliminated on disposal	–	–	–	(1)	(567)	–	(568)
At 31st December 2004	939,756	–	6,502	81,489	3,980	3,264	1,034,991
Exchange adjustments	(30,405)	–	–	(318)	–	–	(30,723)
Charge for the year	155,481	–	4,155	43,197	567	190	203,590
Eliminated on disposal	–	–	–	(6,218)	(135)	–	(6,353)
At 31st December 2005	1,064,832	–	10,657	118,150	4,412	3,454	1,201,505
CARRYING VALUES							
At 31st December 2005	6,928,278	–	213,067	159,845	1,361	361	7,302,912
At 31st December 2004	7,107,110	–	9,454	61,517	890	546	7,179,517

Hotel properties and buildings with carrying amount of HK$9,092,000 (2004: HK$9,420,000) and HK$3,241,242,000 (2004: HK$3,098,736,000) are situated on land in Hong Kong which are held under long-term and medium-term leases respectively. Hotel properties with carrying amount of HK$3,891,011,000 (2004: 4,008,408,000) situated outside Hong Kong are held under freehold land.

17. Prepaid Lease Payments

	2005 HK$'000	2004 HK$'000 (restated)
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Long lease	**20,363**	20,529
Medium-term lease	**1,865,134**	1,909,739
	1,885,497	1,930,268
Analysed for reporting purposes as:		
Current asset	**44,771**	44,771
Non-current asset	**1,840,726**	1,885,497
	1,885,497	1,930,268

18. Investment Properties

	2005 HK$'000	2004 HK$'000 (restated)
FAIR VALUE		
At 1st January	**24,793,003**	12,302,317
Exchange adjustments	**(21,971)**	2,557
Additions	**208,594**	200,540
Disposal of subsidiaries	**–**	(124,200)
Net increase in fair value recognised in the income statement	**12,982,057**	3,781,275
Disposals/written off	**(309,645)**	(206,541)
Transfers (to) from property, plant and equipment	**(354,733)**	8,837,055
Reclassified as non-current assets held for sale	**(253,800)**	–
At 31st December	**37,043,505**	24,793,003

	2005 HK$'000	2004 HK$'000 (restated)
Fair value of investment properties	**37,043,505**	24,793,003
Deferred initial direct costs	**6,240**	–
	37,049,745	24,793,003

18. Investment Properties (continued)

(a) The Group's property interests of approximately HK$35,340,485,000 (2004: HK$23,146,840,000) which are held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(b) The fair value of the Group's investment properties except for Citibank Plaza at 31st December 2005 have 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 except Citibank Plaza - Chesterton Petty Ltd. Investment properties in the United States of America ("USA") - Cushman & Wakefield of California, Inc.

The fair values of Citibank Plaza as at 31st December 2005 have been determined by the directors of the Group. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Group was arrived at by reference to recent market prices for similar properties.

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

	2005	2004
	HK$'000	HK$'000
		(restated)
Long leases in Hong Kong	**2,044,655**	1,825,340
Medium-term leases in Hong Kong	**33,295,830**	21,321,500
Freehold land outside Hong Kong	**1,703,020**	1,646,163
	37,043,505	24,793,003

(d) Deferred initial direct costs arose in connection with the negotiation of operating leases for a substantial portion of the Group's investment properties portfolio which are being amortised over the term of these leases.

19. Interests in Associates

	2005 HK$'000	2004 HK$'000
Cost of investment in associates:		
Unlisted associates in Hong Kong	12	12
Listed associate in Hong Kong	2,649	2,649
Share of post acquisition reserves	16,099	6,849
	18,760	9,510
Fair value of listed securities	39,069	28,352

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

	2005 HK$'000	2004 HK$'000
Total assets	363,752	252,993
Total liabilities	(282,729)	(215,745)
Net assets	81,023	37,248
Group's share of associates' net assets	18,760	9,510
Revenue	330,341	198,347
Profit for the year	42,181	25,972
Group's share of associates' profit for the year	9,250	7,396

Particulars regarding the principal associates are set out in note 41.

20. Available-for-sale Investments

Available-for-sale investments as at 31st December 2005 comprises:

	2005 HK$'000
Unlisted securities in Hong Kong	246
Listed securities in Hong Kong	16,186
	16,432

As mentioned in note 2, from 1st January 2005 onwards, not-for-trading securities has been reclassified to available-for-sale investments in accordance with the requirements of HKAS 39.

As at the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which their fair values cannot be measured reliably. Fair values of those investments have been determined by reference to bid prices quoted in active markets.

The above unlisted investments represent investments in unlisted equity securities issued by private entities. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

21. Other Investments

	2004 HK$'000
Not-for-trading securities:	
Unlisted in Hong Kong	246
Listed in Hong Kong	15,028
	15,274

22. Loan Receivables

	2005 HK$'000	2004 HK$'000
Amounts due from minority shareholders	**265,967**	257,860
Amounts due from associates	**12,377**	12,377
	278,344	270,237

The loan to minority shareholders of the Group are unsecured, carries interest at Hong Kong Interbank Offering Rates plus 0.9125 per cent per annum, and have no fixed repayment terms.

The amounts due from associates are unsecured, interest free and have no fixed repayment terms. The associates are not expected to repay within twelve months from the balance sheet date and the balances are classified as non-current.

The fair value of the Group's loan receivables as at the balance sheet date approximates to the carrying amount of the receivables.

23. Pledged Bank Deposits, Bank Balances and Cash

The pledged deposits have been placed in designated banks as part of the securities provided for long-term facilities granted to the Group.

The fair value of the Group's fixed deposits included in bank balances and cash approximate to their carrying amounts as the fixed deposits are short term.

24. Inventories

	2005 HK$'000	2004 HK$'000
Completed properties held for sale	**42**	42
Raw materials	**29,342**	25,451
Provisions and beverages	**23,151**	19,314
Work-in-progress	**22,774**	38,564
	75,309	83,371

25. Debtors, Deposits and Prepayments

	2005 HK$'000	2004 HK$'000
Trade debtors	207,815	161,041
Deferred rent receivables	79,258	48,210
Other receivables	46,941	29,730
Deposits and prepayments	73,977	75,201
	407,991	314,182

The Group maintains a defined credit policy. 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. The aged analysis of trade debtors is as follows:

	2005 HK$'000	2004 HK$'000
0 – 3 months	192,729	147,643
3 – 6 months	13,885	6,385
Over 6 months	1,201	7,013
	207,815	161,041

The fair value of the Group's trade and other receivables at 31st December 2005 approximates to the corresponding carrying amount.

26. Non-current Assets Held for Sale

During the year ended 31st December 2005, the Group entered into two sales and purchase agreements with third parties in relation to the disposal of two floors at Langham Place Office Tower. Accordingly, the carrying amounts of these properties were classified as non-current assets held for sale and the disposal were completed subsequent to the balance sheet date.

27. Creditors, Deposits and Accruals

	2005 HK$'000	2004 HK$'000
Trade creditors	161,154	163,516
Rental deposits	279,083	224,167
Construction fee payable and retention payables	609,430	751,981
Accruals, interest payable and other payables	482,506	313,939
	1,532,173	1,453,603
Rental deposits:		
– Due within one year	126,814	89,390
– Due more than one year	152,269	134,777
	279,083	224,167

Retention payables amounted to HK$89,103,000 (2004: HK$94,584,000) are estimated to be payable within one year.

The aged analysis of trade creditors is as follows:

	2005 HK$'000	2004 HK$'000
0 – 3 months	156,398	157,165
3 – 6 months	2,685	4,024
Over 6 months	2,071	2,327
	161,154	163,516

The fair value of the Group's trade and other payables at 31st December 2005 approximates to the corresponding carrying amount.

28. Derivatives Financial Instruments

In the current year, the Group has used interest rate swaps to manage its exposure to interest rate movements on its bank borrowings, details of such major swaps are summarised below:–

(a) Interest rate swap contracts of nominal amount of HK$2,982,000,000 were entered for periods up to 2009, to swap floating rate borrowings to fixed rate borrowings of interest rates ranging from 4.72% to 5.53%; and

(b) Interest rate swap contracts of nominal amount of HK$3,520,000,000 were entered for periods up to 2007 to swap borrowings from floating rates based on Hong Kong Interbank Offer Rate ("HIBOR") to floating rates based on London Interbank Offer Rate ("LIBOR").

The fair value of outstanding swaps at 31 December 2005 is estimated at liability of HK$44,356,000, which is estimated by discounting the future expected cash flow at the balance sheet date. Changes in fair value of these swaps during the year were recorded in the income statement.

29. Borrowings

	2005 HK$'000	2004 HK$'000
Bills payable	1,722	1,043
Bank loans and revolving loans (secured)	14,192,423	14,847,060
Other non-current loans (secured)	1,748,027	1,594,773
	15,942,172	16,442,876
Loan front-end fee	(25,164)	–
	15,917,008	16,442,876
The maturity of the above loans and overdrafts is as follows:		
On demand or within one year	1,390,620	1,685,710
More than one year but not exceeding two years	1,396,452	1,357,695
More than two years but not exceeding five years	11,498,616	12,760,471
More than five years	1,631,320	639,000
	15,917,008	16,442,876
Less: Amounts due within one year shown under current liabilities	(1,390,620)	(1,685,710)
Amounts due after one year	14,526,388	14,757,166

29. Borrowings (continued)

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

	2005 HK$'000	2004 HK$'000
Within one year	12,270	8,245
In more than one year but not more than two years	14,878	12,768
In more than two years but not more than three years	674,829	15,383
In more than three years but not more than four years	6,760	677,224
In more than four years but not more than five years	49,923	5,872
In more than five years	500,968	379,000
	1,259,628	1,098,492

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

	2005 HK$'000	2004 HK$'000
Within one year	1,378,350	1,677,465
In more than one year but not more than two years	1,381,574	1,344,927
In more than two years but not more than three years	6,519,108	1,859,675
In more than three years but not more than four years	1,871,114	8,606,228
In more than four years but not more than five years	2,376,884	1,596,089
In more than five years	1,130,350	260,000
	14,657,380	15,344,384

29. Borrowings (continued)

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

	2005	2004
Effective interest rate:		
Fixed-rate borrowings	**4.52% to 12.50%**	4.52% to 8.22%
Variable-rate borrowings	**2.79% to 8.02%**	1.01% to 6.92%

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2005	2004
	HK$'000	HK$'000
United State Dollar	**1,745,720**	1,594,773
Sterling	**1,029,526**	1,212,224
Canadian Dollar	**581,882**	592,202
Australian Dollar	**434,237**	480,675
New Zealand Dollar	**254,778**	285,959
Hong Kong Dollar	**11,870,865**	12,277,043

Secured bank loans include a loan of HK$3,050,000,000 (2004: HK$3,100,000,000) obtained from a syndicate of banks by an indirect subsidiary in which the Group has an 85.93% (2004: 85.93%) interest.

During the year, the Group refinanced loans in the amount of HK$5,000,000,000. The loans bear interest at floating rates and will be repayable by instalments with maturity dates in 2008 and 2010. The proceeds were used to finance operating activities of the Group.

The directors consider that the carrying amount of interest-bearing borrowings approximates their fair value.

30. Deferred Taxation

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

The Group

	Accelerated tax depreciation	Tax losses	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2004	1,210,969	(251,484)	312,717	1,272,202
Effect of changes in accounting policies (note 2)	459,372	70,633	–	530,005
At 1st January 2004 (as restated)	1,670,341	(180,851)	312,717	1,802,207
Exchange differences	19,566	(7,166)	(22)	12,378
Charge (credit) to income for the year	1,174,348	(197,450)	(326,084)	650,814
Released upon disposal of subsidiaries	(1,033)	207	–	(826)
Effect of changes in tax rates credit to income statement	(148)	–	–	(148)
At 31st December 2004	2,863,074	(385,260)	(13,389)	2,464,425
Effect of changes in accounting policies (note 2)	–	–	(54,860)	(54,860)
At 1st January 2005 (as restated)	2,863,074	(385,260)	(68,249)	2,409,565
Exchange differences	(20,406)	8,866	155	(11,385)
Charge to income for the year	2,162,062	46,625	46,363	2,255,050
At 31st December 2005	5,004,730	(329,769)	(21,731)	4,653,230

At the balance sheet date, the Group has unutilised tax losses of HK$2,717,003,000 (2004: HK$3,150,364,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,597,634,000 (2004: HK$1,895,629,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,119,369,000 (2004: HK$1,254,735,000) due to the unpredictability of future profit streams.

31. Share Capital

	2005 Number of shares '000	2005 Nominal value HK$'000	2004 Number of shares '000	2004 Nominal value HK$'000
(a) Authorised:				
Shares of HK$0.50 each				
Balance brought forward and carried forward	**800,000**	**400,000**	800,000	400,000
(b) Issued and fully paid:				
Shares of HK$0.50 each				
Balance brought forward	**589,765**	**294,883**	584,305	292,153
Issued upon exercise of share options under the Share Option Scheme	**2,043**	**1,022**	769	385
Issued as scrip dividends	**2,993**	**1,496**	4,691	2,345
Balance carried forward	**594,801**	**297,401**	589,765	294,883

During the year, 2,992,910 (2004: 4,690,857) shares of HK$0.50 each in the Company were issued at HK$17.18 (2004: HK$9.52) per share as scrip dividends.

32. Share Option

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

Summary of the Scheme

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

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

c. The maximum number of shares of HK$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the Scheme. The total number of Shares available for issue under the Scheme is 54,636,853 Shares, representing 9% of the Company's issued share capital as at 19th April, 2006, the latest practicable date before the approval of these financial statements.

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

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

f. The minimum period within which an option must be held before it can be exercised is the 24 months referred to in paragraph (e) above.

32. Share Option (continued)

Summary of the Scheme (continued)

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

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

i. The Scheme has a life of 10 years and will expire on 10th June 2009.

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

In 2005	Number of shares					
Year of grant of options	Outstanding options at 1st January 2005	Options granted	Options exercised	Options cancelled	Options lapsed at 14th February 2005	Outstanding options at 31st December 2005
2000	600,000	–	(583,000)	–	(17,000)	–
2001	1,013,000	–	(511,000)	–	–	502,000
2002	824,000	–	(387,000)	–	–	437,000
2003	973,000	–	(562,000)	–	–	411,000
2004	1,201,000	–	–	(14,000)	–	1,187,000
2005	–	1,606,000	–	(10,000)	–	1,596,000
	4,611,000	1,606,000	(2,043,000)	(24,000)	(17,000)	4,133,000
Exercisable at end of the year						
Weighted average exercisable price	$10.27	$18.21	$9.11	$15.49	$10.12	$13.90

32. Share Option (continued)

Summary of the Scheme (continued)

In 2004	Number of shares					
Year of grant of options	Outstanding options at 1st January 2004	Options granted	Options exercised	Options cancelled	Options lapsed at 12th March 2004	Outstanding options at 31st December 2004
1999	494,000	–	(484,000)	–	(10,000)	–
2000	711,000	–	(105,000)	(6,000)	–	600,000
2001	1,065,000	–	(46,000)	(6,000)	–	1,013,000
2002	964,000	–	(134,000)	(6,000)	–	824,000
2003	986,000	–	–	(13,000)	–	973,000
2004	–	1,210,000	–	(9,000)	–	1,201,000
	4,220,000	1,210,000	(769,000)	(40,000)	(10,000)	4,611,000
Exercisable at end of the year						
Weighted average exercisable price	$8.91	$13.55	$8.07	$9.34	$7.02	$10.27

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

In 2005	**Number of shares**				
Year of grant of options	**Outstanding options at 1st January 2005**	**Options granted**	**Options exercised**	**Options lapsed at 14th February 2005**	**Outstanding options at 31st December 2005**
2000 – 2005	**2,920,000**	**770,000**	**(1,400,000)**	**–**	**2,290,000**

In 2004	Number of shares				
Year of grant of options	Outstanding options at 1st January 2004	Options granted	Options exercised	Options lapsed at 12th March 2004	Outstanding options at 31st December 2004
1999 – 2004	2,605,000	700,000	(385,000)	–	2,920,000

The options were exercised during the year and the weighted average price of the shares on the exercise date was HK$15.20.

32. Share Option (continued)

Summary of the Scheme (continued)

Details of Options granted in each year are as follows:

Year	Date of grant	Exercisable period	Subscription price per share (HK$)
1999	12/3/1999	13/3/2001 – 12/3/2004	7.020
2000	14/2/2000	15/2/2002 – 14/2/2005	10.116
2001	16/1/2001	17/1/2003 – 16/1/2006	13.392
2002	28/1/2002	29/1/2004 – 28/1/2007	8.440
2003	10/2/2003	11/2/2005 – 10/2/2008	4.625
2004	16/3/2004	17/3/2006 – 16/3/2009	13.550
2005	17/3/2005	18/3/2007 – 17/3/2010	18.210

Notes:

(i) Options granted in 1999 were granted under the previous scheme which expired on 16th March 1999. Options granted in 2000 to 2005 were granted under the Scheme of the Company adopted on 10th June 1999.

(ii) Consideration paid for each grant of an option was HK$1.00.

(iii) The closing price of the shares of HK$0.50 each of the Company quoted on the Stock Exchange on 7th February 2003, 15th March 2004 and 16th March 2005, being the business date immediately before the date on which share options were granted, were HK$4.55, HK$13.5 and HK$18.05 respectively.

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

32. Share Option (continued)

Summary of the Scheme (continued)

Notes: (continued)

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

Date of grant:	17/3/2005	16/3/2004	10/2/2003
Exercise price:	HK$18.21	HK$13.55	HK$4.625
Expected volatility (note a):	41.88%	46.49%	32%
Expected dividend yield (note b):	0.95%	0.96%	2.82%
Expected life from grant date:	5 years	5 years	5 years
Risk free interest rate (note c):	3.81%	2.52%	2.98%
Fair value per option:	HK$6.63	HK$5.43	HK$1.15

Notes:

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

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

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

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

33. Retirement Benefit Schemes

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administration Region in 2000.

From 1st December, 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the Scheme.

Forfeited contributions to retirement schemes for the year ended 31st December 2005 amounting to approximately HK$1,031,000 (2004: HK$826,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31st December 2005 charged to the income statement amounted to approximately HK$34,543,000 (2004: HK$29,401,000). As at 31st December 2005, contributions of approximately HK$301,000 (2004: HK$1,256,000) due in respect of the year had not been paid over to the schemes.

34. Disposal of Property Investment Subsidiaries

During the year ended 31st December 2004, the Group had disposed of its subsidiaries, Bright View Holdings Limited and Capital Win Development Limited. The net assets of these subsidiaries at the date of disposal were as follows:

	2004 HK$'000 (restated)
NET ASSETS DISPOSED OF:	
Investment properties	124,200
Debtors, deposits and prepayments	1,027
Creditors, deposits and accruals	(1,444)
Provision for taxation	(24)
Deferred taxation	(826)
	122,933
Gain on disposal of property investment subsidiaries	51,862
Total consideration	174,795
Satisfied by:	
Cash	174,795
Cash inflow arising on disposal:	
Cash consideration	174,795

The subsidiaries disposed of during last year contributed approximately HK$3,671,000 to the Group's turnover and approximately HK$3,143,000 to the Group's profit from operations. The subsidiaries disposed of during the year had no significant impact on cash flows of the Group.

35. Major Non-cash Transaction

During the year, 2,992,910 (2004: 4,690,857) shares of HK$0.50 each in the Company were issued at HK$17.18 (2004: HK$9.52) per share as scrip dividends.

36. Pledge of Assets

At 31st December 2005, the Group pledged their following assets for credit facilities granted to the Group:

(a) the Group's investment properties with a total carrying value of approximately HK$37,005,245,000 (2004: HK$24,758,633,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties;

(b) the Group's hotel buildings and prepaid land costs with a total carrying value of approximately HK$6,928,278,000 and HK$1,865,132,000 (2004: HK$7,107,110,000 and HK$1,909,739,000) respectively;

(c) the Group's owner use properties and prepaid land costs with a total carrying value of approximately HK$213,033,000 and HK$20,365,000 (2004: HK$9,420,000 and HK$20,529,000) respectively;

(d) the Group's non-current assets held for sale of approximately HK$253,800,000 (2004: HK$nil); and

(e) bank deposits of HK$489,346,000 (2004: HK$3,604,000).

37. Commitments and Contingent Liabilities

At 31st December 2005, the Group has authorised capital expenditure not provided for in these financial statements amounting to approximately HK$11,911,000 (2004: HK$33,625,000) of which approximately HK$8,522,000 (2004: HK$18,821,000) was contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities at 31st December 2005.

38. Operating Lease Arrangements

The Group as lessor

Property rental income earned during the year was HK$959,537,000 (2004: HK$660,570,000). The properties held had committed leases typically running for one to six years.

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

	2005	2004
	HK$'000	HK$'000
Within one year	**874,890**	773,061
In the second to fifth years inclusive	**1,436,708**	1,544,359
After five years	**200,021**	265,897
	2,511,619	2,583,317

Certain future minimum lease payments are calculated based on the estimated market rent to be received from the contracted tenants during specified time intervals of the contracted period as stipulated in the lease agreement.

The Group as lessee

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2005	2004
	HK$'000	HK$'000
Within one year	**2,836**	1,446
In the second to fifth years inclusive	**1,479**	466
	4,315	1,912

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for term of one to three years and rental are fixed over the respective leases.

39. Related Party Transactions

The Group had the following significant related party transactions during the year and balances at the balance sheet date with certain companies in which some shareholders and directors of the Company have beneficial interests. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties.

	2005	2004
	HK$'000	HK$'000
		(restated)
Transactions for the year ended 31st December		
Trading income	**1,613**	2,355
Rental income	**1,483**	1,670
Management fee received	**240**	240
Rental charges paid for Director's accommodation	**1,950**	2,400
Cost and expenses incurred for super-structural works	**97,415**	765,003
Payment for renovation works	**2,316**	3,013
Balances as at 31st December		
Amounts due from minority shareholders (see note 22)	**265,967**	257,860
Amounts due from associates (see note 22)	**12,377**	12,377
Debtors, deposits and prepayments (see note a)	**4,306**	3,543
Creditors, deposits and accruals (see note b)	**477,034**	561,951

Notes:

a. The amounts represent the trade receivables from the related companies. The amounts are unsecured, interest-free and have no fixed repayment terms. The fair value of debtors, deposits and prepayments at the balance sheet date approximates to the corresponding carrying amount.

b. The amounts represent the construction fee payable to the related companies. The amounts are unsecured, interest-free and have no fixed repayment terms. The fair value of creditors, deposits and accruals at the balance sheet date approximates to the corresponding carrying amount.

c. The remuneration of directors and other members of key management during the year were disclosed in note 13. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. Particulars of the Principal Subsidiaries

Details of the Company's principal subsidiaries at 31st December 2005 are set out below:

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

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong:			
Bon Project Limited	2 shares of HK$1 each	Property investment	100%
Chance Mark Limited	2 shares of HK$1 each	Property investment	100%
Clever Gain Investment Limited	2 shares of HK$1 each	Restaurant operation	100%
CP (Portion A) Limited	2 shares of HK$1 each	Property investment	100%
CP (Portion B) Limited	2 shares of HK$1 each	Property investment	100%
Ease Billion Development Limited	2 shares of HK$1 each	Property investment	100%
Easy Wealth Limited	2 shares of HK$1 each	Property investment	100%
Eaton House International Limited	2 shares of HK$10 each	Management of furnished apartments	100%
Fortuna Wealth Company Limited	2 shares of HK$1 each	Property investment	100%
G E Advertising Agency Limited	2 shares of HK$1 each	Advertising agency	100%
Gold Epoch Investment Limited	2 shares of HK$1 each	Property investment	100%

40. Particulars of the Principal Subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong: (continued)			
Grow On Development Limited	5,000 shares of HK$1 each	Hotel ownership and operation	100%
Harvest Star International Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Keysen Engineering Company, Limited	2 shares of HK$1 each	Maintenance services	100%
Langham Hotels International Limited	2 shares of HK$1 each	Hotel management	100%
Langham Place Hotel (HK) Limited	2 shares of HK$1 each	Hotel ownership and operation	100%
Longworth Management Limited	10,000 shares of HK$1 each	Property management	100%
Million Prime Company Limited	2 shares of HK$1 each	Property investment	100%
Moon Yik Company, Limited	10,000,000 shares of HK$1 each	Property investment	100%
Panhy Limited	2 shares of HK$1 each	Property investment	100%
Renaissance City Development Company Limited	2 shares of HK$10 each	Property investment	100%
Selex Properties Management Company, Limited	2 shares of HK$1 each	Property management	100%
Strong Dynamic Limited	2 shares of HK$1 each	Fitness Centre Operation	100%
The Great Eagle Company, Limited	2,000,000 shares of HK$0.5 each	Investment holding	100%
The Great Eagle Development and Project Management Limited	2 shares of HK$10 each	Project management	100%
The Great Eagle Engineering Company Limited	2 shares of HK$1 each	Maintenance services	100%

40. Particulars of the Principal Subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong: (continued)			
The Great Eagle Estate Agents Limited	2 shares of HK$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK$100 each	Financing	100%
The Great Eagle Insurance Company, Limited	1,000 shares of HK$1 each	Insurance agency	100%
The Great Eagle Properties Management Company, Limited	100,000 shares of HK$1 each	Property management	100%
Toptech Co. Limited	600,000 shares of HK$1 each	Trading of building materials	100%
Venus Glory Company Limited	2 shares of HK$1 each	Property investment	100%
Well Charm Development Limited	2 shares of HK$1 each	Property investment	100%
Worth Bright Company Limited	2 shares of HK$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK$10 each	Property investment	100%
Maple Court Limited	2 shares of HK$1 each	Property investment	85.93%
Missleton Finance Limited	1,000,000 shares of HK$1 each	Financing	85.93%
Shine Hill Development Limited	1,000,000 shares of HK$1 each	Property investment	85.93%
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US$1	Hotel ownership and operation	100%

40. Particulars of the Principal Subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C$1 each	Hotel ownership and operation	100%
– incorporated in the British Virgin Islands and operating in Australia:			
Katesbridge Group Limited	1 share of US$1	Investment holding	100%
– incorporated and operating in Australia:			
Southgate Hotel Management Pty. Ltd.	17,408 shares of A$2 each	Hotel operation	100%
– incorporated in the British Virgin Islands and operating in New Zealand:			
Great Eagle Hotels (New Zealand) Limited	1 share of US$1	Property investment	100%
– incorporated and operating in New Zealand:			
Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%

40. Particulars of the Principal Subsidiaries (continued)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in USA:			
EIH Properties Company – XX, LLC	US$1,000	Property investment	100%
Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%
Pacific Spear Corporation	100 shares of US$0.001 each	Property investment	100%
Pacific 2700 Ygnacio Corporation	100 shares of US$1 each	Property investment	100%
Pacific Ygnacio Corporation	100 shares of no par value	Property investment	100%
Shorthills NJ, Inc.	100 shares of US$1 each	Property investment	100%

Note: All these subsidiaries have no debt securities subsisting at the end of the year or at any time during the year.

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

41. Particulars of the Principal Associates

Details of the Group's principal associates at 31st December 2005 are set out below:

Indirect associates	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Group
City Apex Limited	3,500 of US$1 each	Investment holding	23%
Recruit Holdings Limited	274,218,000 of HK$0.2 each	Investment holding and publishing	22.98%

Appendix I List of Major Properties

As at 31st December 2005

Properties held for long-term investment

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON LAND UNDER LONG LEASE			
Apartment Tower on the Western Side of Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong	Apartments	10,000	100%
Eaton House, Nos. 3 – 5 Wanchai Gap Road, Hong Kong	Furnished apartments	35,000	100%
Eaton House, 100 Blue Pool Road, Hong Kong	Furnished apartments	34,000	100%
Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong	Commercial/Office	270,000	100%
ON LAND UNDER MEDIUM-TERM LEASE			
Citibank Plaza, 3 Garden Road, Hong Kong	Commercial/Office Commercial/Office	1,153,000 340,000	85.93% 100%
Eaton House, 4H Village Road, Hong Kong	Furnished apartments	23,000	100%
Eaton Hotel, 380 Nathan Road, Kowloon, Hong Kong	Hotel/Commercial	312,000	100%
Langham Hotel, Hong Kong 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong	Hotel/Commercial	364,000	100%
Langham Place 8 Arygle Street, Mongkok, Kowloon, Hong Kong	Commercial/Office	1,328,000	100%
Langham Place Hotel 555 Shanghai Street, Mongkok, Kowloon, Hong Kong	Hotel	508,000	100%

Properties held for long-term investment (continued)

Name and location	Use	Approximate floor area (sq.ft.)	Group's interests
ON FREEHOLD LAND			
Langham Hotel, London 1 and 1B Portland Place, Regent Street, London, W1N 4JA, United Kingdom	Hotel/Commercial	390,000	100%
Delta Chelsea Hotel 33 Gerrard Street West, Toronto, Ontario M5G 1Z4, Canada	Hotel/Commercial	1,130,000	100%
Langham Hotel, Melbourne One Southgate Avenue, Southbank, Melbourne, Victoria 3006, Australia	Hotel/Commercial	385,000	100%
Langham Hotel, Auckland 83 Symonds Street, Auckland 1, New Zealand	Hotel/Commercial	309,000	100%
Pacific Ygnacio Plaza 500 Ygnacio Valley Road, Walnut Creek, CA 94596, USA	Office	121,000	100%
2700 Ygnacio Valley Road 2700 Ygnacio Valley Road, Walnut Creek, Contra Costa County, CA 94598, USA	Office	106,000	100%
Langham Hotel, Boston 250 Franklin Street, Boston, MA 02110, USA	Hotel/Commercial	281,000	100%
353 Sacramento Street 353 Sacramento Street, San Francisco, CA 94111, USA	Commercial/Office	307,000	100%
150 Spear Street 150 Spear Street, San Francisco, CA 94105, USA	Commercial/Office	257,000	100%

Appendix II Five Years' Financial Summary

	For the year ended 31st December				
	2001 HK$'000 (restated)	2002 HK$'000 (restated)	2003 HK$'000 (restated)	2004 HK$'000 (restated)	**2005** **HK$'000**
RESULTS					
Turnover	2,778,083	2,664,541	2,522,965	2,830,822	**3,521,201**
(Loss) Profit before taxation	(1,432,894)	(711,929)	(77,218)	4,037,820	**13,408,911**
Taxation	(64,626)	60,416	(128,755)	(746,011)	**(2,323,495)**
(Loss) Profit after taxation	(1,497,520)	(651,513)	(205,973)	3,291,809	**11,085,416**
Attributable to:					
Equity holders of the parent	(1,351,649)	(597,736)	(173,607)	3,103,952	**10,028,139**
Minority interests	(145,871)	(53,777)	(32,366)	187,857	**1,057,277**
	(1,497,520)	(651,513)	(205,973)	3,291,809	**11,085,416**
Earnings (Loss) per share					
Basic	HK$(2.39)	HK$(1.03)	HK$(0.30)	HK$5.28	**HK$16.93**
Diluted	HK$(2.39)	HK$(1.03)	HK$(0.30)	HK$5.27	**HK$16.89**
ASSETS AND LIABILITIES					
Total assets	27,920,827	27,803,508	29,572,019	35,990,283	**48,497,487**
Total liabilities	(14,937,947)	(15,483,991)	(17,411,789)	(20,492,188)	**(22,243,494)**
	12,982,880	12,319,517	12,160,230	15,498,095	**26,253,993**
Equity attributable to equity holders of the parent	12,216,077	11,617,383	11,490,462	14,640,470	**24,339,091**
Minority interests	766,803	702,134	669,768	857,625	**1,914,902**
	12,982,880	12,319,517	12,160,230	15,498,095	**26,253,993**

Notes:

1. Earnings per share information for all years presented has been computed in accordance with the provisions of HKAS 33.

2. Prior periods have been adjusted to reflect the change in accounting policy as described in note 3 to the financial statements.

Shareholders' Calendar

- **Closure of Transfer Books:**
  - from 29th May 2006 to 5th June 2006 (both days inclusive)

- **2006 Annual General Meeting:**
  - 5th June 2006

- **Dividends:**

–	Interim	:	HK3.5 cents per share
	Date of Payment	:	20th October 2005
–	Final	:	HK20 cents per share – scrip dividend with cash option
	Date of Payment	:	11th July 2006