Great Eagle Holdings Limited
鷹君集團有限公司

Incorporated in Bermuda with limited liability

(Stock Code: 41)

2005 RESULTS ANNOUNCEMENT

RESULTS

The Directors of Great Eagle Holdings Limited (the "Company") are pleased to announce the audited consolidated financial results of the Company, its subsidiaries and associated companies (the "Group") for the year ended 31st December 2005, with comparative figures in 2004, as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31st December **2005** ***HK$'000***	 2004 *HK$'000* (restated)
Revenue	(3)	**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		**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	(4)	**(760,710)**	(404,277)
Share of results of associates		**9,250**	7,396
Profit before tax		**13,408,911**	4,037,820
Income taxes	(5)	**(2,323,495)**	(746,011)
Profit for the year	(6)	**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	(7)		
Interim, paid		**20,801**	20,638
Final, proposed		**119,129**	76,816
Basic earnings per share	(8)	**HK$16.93**	HK$5.28
Diluted earnings per share	(8)	**HK$16.89**	HK$5.27

CONSOLIDATED BALANCE SHEET

	As at **31st December** **2005** ***HK$'000***	As at 31st December 2004 *HK$'000* (restated)
Non-current assets		
Property, plant and equipment	**7,302,912**	7,179,517
Prepaid lease payments	**1,840,726**	1,885,497
Investment properties	**37,049,745**	24,793,003
Interests in associates	**18,760**	9,510
Available for sale investments	**16,432**	–
Other investments	**–**	15,274
Loan receivables	**278,344**	270,237
Pledged bank deposits	**489,346**	3,604
	46,996,265	34,156,642
Current assets		
Inventories	**75,309**	83,371
Debtors, deposits and prepayments	**407,991**	314,182
Prepaid lease payments	**44,771**	44,771
Bank balances and cash	**719,351**	1,391,317
	1,247,422	1,833,641
Non-current assets classified as held for sale	**253,800**	–
	1,501,222	1,833,641
Current liabilities		
Creditors, deposits and accruals	**1,532,173**	1,453,603
Derivative financial instruments	**44,356**	–
Provision for taxation	**92,760**	102,760
Borrowings due within one year	**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
Non-current liabilities		
Borrowings due after one year	**14,526,388**	14,757,166
Deferred taxation	**4,653,230**	2,464,425
	19,179,618	17,221,591
NET ASSETS	**26,253,993**	15,498,095
Equity		
Share capital	**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

Notes:

(1) Adoption 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 2 for the financial impact).

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.

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 year 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 2 for the financial impact).

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 2 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 2 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 2 for the financial impact).

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 2 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) Interpretation 21 ("HK(SIC)-INT-21") "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 2 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 results for the prior accounting years are prepared and presented.

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.

(2) Summary of the Effect of the Changes in Accounting Policies

The effect of the changes in the accounting policies described in Note 1 above on the results for the current and prior year are as follows:

	2005	2004
	HK$'000	*HK$'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 capitalization 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

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 investments	**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

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) HK$'000	Adjustments HK$'000	As at 31st December 2004 (restated) HK$'000	Adjustments HK$'000	**As at 1st January 2005 (restated) 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) 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	–	property development, sales of building materials, restaurant operation, provision of property management, maintenance and agency services, provision of insurance agency services and fitness centre operation.

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

Segment information about these businesses is presented below:

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**

2004

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
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.

	Property investment HK$'000	Hotel operation HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
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

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

(4) 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

(5) 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:		
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.

(6) Profit for the year

	2005 ***HK$'000***	2004 *HK$'000* (restated)
Profit for the year has been arrived at after charging:		
Depreciation on fixed assets	**203,590**	136,277
Fitting-out works of properties written off	**11,865**	45,395
Allowance for doubtful debts	**13,325**	2,537
Staff costs, including directors' emoluments	**894,541**	760,649
Net exchange loss	**–**	752
and after crediting:		
Interest income	**32,386**	12,666
Dividend income	**717**	881
Net exchange gain	**120**	–

(7) Dividends

On 20th October 2005, an interim dividend of HK3.5 cents per share (2004: HK3.5 cents per share) was paid to shareholders as the interim dividend for 2005.

The directors have resolved to propose that the final dividend of HK20 cents per share (2004: HK13 cents per share) be paid to the shareholders of the Company whose names appear in the Register of Members on 5th June 2006.

During the year, 2,992,910 shares of HK$0.50 each in the Company were issued at HK$17.18 per share as scrip dividend.

(8) Earnings per Share

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

	2005	2004
	HK$'000	*HK$'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

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.

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 up 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, certain floors were put up for sale, of which four floors comprising approximately 69,600 sq. ft. were contracted for sale at a profit. Completion of the sale of two floors took place in 2005 while completion of the sale of the two remaining floors subsequently took place in 2006. In view of the strong demand for quality office space for letting, we have released 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).

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 Assets 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 HKdollar-denominated debts. The rest of our HKdollar 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.

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.

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

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December 2005, the Company had complied with the Code on Corporate Governance Practices (the "Code") with the following deviations:

Code provision A.2.1 – It is not clear that the roles of chairman and chief executive officer are separate and are not performed by the same individual.

Code provision A.4.1 – Non-executive Directors have not been appointed for a specific term, subject to re-election.

Code provision A.4.2 – The executive Chairman and the Managing Director are not subject to retirement by rotation at least once every three years.

Code provisions D.1.1 and D.1.2 – Functions reserved to the Board and functions delegated to the management have not been formalised.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the 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 year under review.

AUDIT COMMITTEE

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31st December 2005 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

*Mr. LO Ying Shek (Chairman and Managing Director), Mrs. 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 and Mr. KAN Tak Kwong*

* *Independent Non-executive Directors*

Please also refer to the published version of this announcement in China Daily.