



Great Eagle Holdings Limited
鷹君集團有限公司

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

Interim Report 2006
2006 年度中期報告書

Capturing Enormous Opportunities



Corporate Information 公司資料



DIRECTORS

LO Ka Shui, CHAIRMAN AND
MANAGING DIRECTOR
LO Kai Shui, DEPUTY MANAGING DIRECTOR
LO TO Lee Kwan
CHENG Hoi Chuen, Vincent*
WONG Yue Chim, Richard*
LEE Pui Ling, Angelina*
LO Hong Sui, Antony
LAW Wai Duen
LO Hong Sui, Vincent
LO Ying Sui, Archie
KAN Tak Kwong

* Independent Non-executive Directors

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
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Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE

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WEBSITE

<http://www.greateagle.com.hk>

董事

羅嘉瑞 主席兼董事總經理
羅啟瑞 副董事總經理
羅杜莉君
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

* 獨立非執行董事

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

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Interim Results

The Board of Directors of Great Eagle Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the six months ended 30th June 2006, with comparative figures in 2005, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six Months Ended 30th June	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Revenue	(3)	1,844,942	1,634,098
Cost of goods and services		(1,136,967)	(1,062,449)
Gross profit		707,975	571,649
Fair value changes on investment properties		288,750	2,500,169
Fair value changes on derivative financial instruments		14,524	207,986
Other income		64,198	12,982
Administrative expenses		(69,638)	(64,494)
Other expenses		(5,826)	(18,923)
Depreciation on hotel buildings		(69,366)	(72,338)
Amortisation on prepaid lease payments		(22,386)	(22,964)
Loss on disposal of property investment subsidiaries		(264,620)	–
Finance costs	(4)	(410,148)	(334,677)
Share of results of associates		5,630	4,402
Profit before tax		239,093	2,783,792
Income taxes	(5)	(135,527)	(517,183)
Profit for the period	(6)	103,566	2,266,609
Attributable to:			
Equity holders of the Company		101,603	2,147,734
Minority interests		1,963	118,875
		103,566	2,266,609
Distribution	(7)	3,028,252	20,800
Earnings per share	(8)		
Basic		\$0.17	\$3.64
Diluted		\$0.17	\$3.63



CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30th June 2006 HK\$'000 (unaudited)	At 31st December 2005 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	(9)	7,468,591	7,302,912
Prepaid lease payments		1,818,340	1,840,726
Investment properties	(9)	14,616,580	37,049,745
Interests in associates		21,870	18,760
Available-for-sale investments		5,212,351	16,432
Loan receivables		12,377	278,344
Pledged bank deposits		341,211	489,346
		29,491,320	46,996,265
Current assets			
Inventories		66,590	75,309
Debtors, deposits and prepayments	(10)	412,415	407,991
Prepaid lease payments		44,771	44,771
Bank balances and cash		6,194,455	719,351
		6,718,231	1,247,422
Non-current assets classified as held for sales		–	253,800
		6,718,231	1,501,222
Current liabilities			
Creditors, deposits and accruals	(11)	1,183,218	1,532,173
Dividend payable		119,186	–
Provision for taxation		106,244	92,760
Derivative financial instruments	(12)	30,468	44,356
Borrowings due within one year	(13)	686,778	1,390,620
Unsecured bank overdraft		11,298	3,967
		2,137,192	3,063,876
Net current assets (liabilities)		4,581,039	(1,562,654)
Total assets less current liabilities		34,072,359	45,433,611
Non-current liabilities			
Borrowings due after one year	(13)	9,920,457	14,526,388
Deferred taxation		1,460,399	4,653,230
		11,380,856	19,179,618
NET ASSETS		22,691,503	26,253,993
Share capital and reserves			
Share capital	(14)	297,980	297,401
Share premium and reserves		22,391,207	24,041,690
Equity attributable to equity holders of the Company		22,689,187	24,339,091
Minority interests		2,316	1,914,902
TOTAL EQUITY		22,691,503	26,253,993



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	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 2005	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 on investments	-	-	1,072	-	-	-	-	-	1,072	-	1,072
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(43,752)	-	-	(43,752)	-	(43,752)
Net income and expense recognised directly in equity	-	-	1,072	-	-	(43,752)	-	-	(42,680)	-	(42,680)
Profit for the period	-	-	-	-	-	-	-	2,147,734	2,147,734	118,875	2,266,609
Total recognised income and expenses for the period	-	-	1,072	-	-	(43,752)	-	2,147,734	2,105,054	118,875	2,223,929
Dividend paid	-	-	-	-	-	-	-	(76,850)	(76,850)	-	(76,850)
Shares issued at premium	2,226	62,813	-	-	-	-	(442)	-	64,597	-	64,597
Share issue expenses	-	(21)	-	-	-	-	-	-	(21)	-	(21)
Recognition of equity-settled share based payments	-	-	-	-	-	-	3,021	-	3,021	-	3,021
At 30th June 2005	297,109	3,247,911	6,336	1,650	402,540	68,078	6,050	12,456,676	16,486,350	976,500	17,462,850
At 1st January 2006	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
Deficit on revaluation on investments	-	-	(1,686,510)	-	-	-	-	-	(1,686,510)	-	(1,686,510)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	37,164	-	-	37,164	-	37,164
Net income and expense recognised directly in equity	-	-	(1,686,510)	-	-	37,164	-	-	(1,649,346)	-	(1,649,346)
Profit for the period	-	-	-	-	-	-	-	101,603	101,603	1,963	103,566
Total recognised income and expenses for the period	-	-	(1,686,510)	-	-	37,164	-	101,603	(1,547,743)	1,963	(1,545,780)
Dividend declared	-	-	-	-	-	-	-	(119,186)	(119,186)	-	(119,186)
Shares issued at premium	579	16,230	-	-	-	-	(2,729)	-	14,080	-	14,080
Share issue expenses	-	(17)	-	-	-	-	-	-	(17)	-	(17)
Recognition of equity-settled share based payments	-	-	-	-	-	-	2,962	-	2,962	-	2,962
Contributions from minority shareholders	-	-	-	-	-	-	-	-	-	152,733	152,733
Eliminated on disposal of property investment subsidiaries	-	-	-	-	-	-	-	-	-	(2,067,282)	(2,067,282)
At 30th June 2006	297,980	3,269,405	(1,680,088)	1,650	402,540	88,689	10,313	20,298,698	22,689,187	2,316	22,691,503



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six Months Ended 30th June

Note	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Cash generated from operations	516,869	499,223
Hong Kong Profits Tax paid	(8,546)	(27,326)
Tax paid in other jurisdiction	(15,135)	(10,079)
Tax refunded in other jurisdictions	548	1,783
Net cash from operating activities	493,736	463,601
Investing activities		
Interest received	38,368	8,791
Dividends received from listed investments	417	392
Dividend received from an unlisted investment	1,118	–
Dividend received from an associate	2,520	–
Additions to investment properties	(115,309)	(74,286)
Purchase of property, plant and equipment	(116,500)	(176,028)
Proceeds from disposal of non-current assets classified as held for sale	252,454	–
Proceeds from disposal of property investment subsidiaries (15)	10,127,891	–
Decrease in loan receivables	265,967	–
Advance to minority shareholders	–	(2,058)
Decrease (increase) in pledged bank deposits	148,135	(24)
Net cash from (used in) investing activities	10,605,061	(243,213)
Financing activities		
Interest paid	(418,512)	(335,999)
Issue of shares	14,080	13,178
Share issue expenses	(17)	(21)
New bank and revolving loans	–	10,000
Repayments of bank and revolving loans	(5,389,631)	(205,112)
Contribution from minority shareholders	152,733	–
Dividends paid to shareholders	–	(25,431)
Net cash used in financing activities	(5,641,347)	(543,385)
Increase (decrease) in cash and cash equivalents	5,457,450	(322,997)
Effect of foreign exchange rate changes	10,324	(7,864)
Cash and cash equivalents at 1st January	715,383	1,362,793
Cash and cash equivalents at 30th June	6,183,157	1,031,932
Analysis of cash and cash equivalents		
Bank balances and cash	6,194,455	1,055,879
Bank overdrafts	(11,298)	(23,947)
	6,183,157	1,031,932



NOTES TO CONDENSED FINANCIAL STATEMENTS

(1) BASIS OF PREPARATION

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

(2) PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs"), Amendments and Interpretations ("HK(IFRIC)") (hereafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December 2005 or 1st January 2006. The adoption of new HKFRSs has resulted in changes to the Group's accounting policies in the following area that had no material effect on how the results for the current or prior accounting periods have been prepared and presented:

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which is effective for annual period beginning on or after 1st January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group acts as the issuer of the financial guarantee contracts

Prior to 1st January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliable.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue". The adoption of new HKFRS had no material effect on how the results for the current or prior periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures ^a
HKFRS 7	Financial instruments: Disclosures ^a
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ^b
HK(IFRIC)-INT 8	Scope of HKFRS 2 ^c
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ^d

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

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

^c Effective for annual periods beginning on or after 1st May 2006.

^d Effective for annual periods beginning on or after 1st June 2006.



(3) BUSINESS SEGMENTS

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

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

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

Segment information about these businesses is presented below:

Six Months Ended 30th June 2006

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE					
External sales	556,434	1,208,432	80,076	–	1,844,942
Inter-segment sales	7,343	–	10,675	(18,018)	–
Total	563,777	1,208,432	90,751	(18,018)	1,844,942
Inter-segment sales are charged at a mutually agreed price.					
RESULT					
Segment results	371,887	228,259	20,856		621,002
Unallocated corporate income					30,289
Unallocated corporate expenses					(46,334)
Fair value changes on investment properties	288,750	–	–		288,750
Fair value changes on derivative financial instruments					14,524
Loss on disposal of property investment subsidiaries					(264,620)
Finance costs					(410,148)
Share of results of associates					5,630
Profit before tax					239,093
Income taxes					(135,527)
Profit for the period					103,566



Six Months Ended 30th June 2005

	Property investment HK\$'000 (unaudited)	Hotel operation HK\$'000 (unaudited)	Other operations HK\$'000 (unaudited)	Eliminations HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
REVENUE					
External sales	526,603	1,032,765	74,730	–	1,634,098
Inter-segment sales	12,330	–	11,105	(23,435)	–
Total	538,933	1,032,765	85,835	(23,435)	1,634,098
Inter-segment sales are charged at a mutually agreed price.					
RESULT					
Segment results	329,423	111,128	12,856		453,407
Unallocated corporate expenses					(47,495)
Fair value changes on investment properties	2,500,169	–	–		2,500,169
Fair value changes on derivative financial instruments					207,986
Finance costs					(334,677)
Share of results of associates					4,402
Profit before tax					2,783,792
Income taxes					(517,183)
Profit for the period					2,266,609

(4) FINANCE COSTS
Six Months Ended 30th June

	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Interest on bank borrowings not wholly repayable within five years	29,364	2,485
Interest on bank borrowings wholly repayable within five years	316,687	283,811
Interest on other loans not wholly repayable within five years	–	9,854
Interest on other loans wholly repayable within five years	58,032	37,204
Other borrowing costs	6,065	1,323
	410,148	334,677



(5) INCOME TAXES

	Six Months Ended 30th June	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Current taxation:		
Current period:		
Hong Kong Profits Tax	31,623	19,326
Other jurisdictions	13,689	9,933
	45,312	29,259
(Over) underprovision in prior years:		
Hong Kong Profits Tax	-	35
Other jurisdictions	(211)	1,996
	(211)	2,031
Deferred taxation:		
Current period	90,426	485,893
Taxation attributable to the Company and its subsidiaries	135,527	517,183

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

(6) PROFIT FOR THE PERIOD

	Six Months Ended 30th June	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging:		
Depreciation on other property, plant and equipment	34,397	13,190
Fitting-out works of investment and hotel properties written off	-	15,505
Staff costs, including directors' emoluments	469,325	435,858
And after crediting:		
Interest income	51,907	9,497
Dividend income	1,535	392
Net exchange gain	3,703	116

(7) DISTRIBUTION

On 5th June 2006, a dividend of HK20 cents per share (2005: HK13 cents per share) was declared to shareholders as the final dividend for 2005.

The directors have determined that an interim dividend of HK5 cents per share (2005: HK3.5 cents per share) and a special interim dividend of HK\$5 per share should be paid to the shareholders of the Company whose names appear in the Register of Members on 19th October 2006.



(8) EARNING PER SHARE

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

	Six Months Ended 30th June	
	2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity holders of the Company)	101,603	2,147,734

	Six Months Ended 30th June	
	2006	2005
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	595,534,230	590,567,329
Effect of dilutive potential shares:		
Share options	1,302,202	1,427,749
Weighted average number of shares for the purpose of diluted earnings per share	596,836,432	591,995,078

(9) MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group had disposed of investment properties of HK\$22,670,000,000 as a result of the disposal of certain property investment subsidiaries with details set out in note 15.

During the period, the Group's investment properties with a carrying value of approximately HK\$57,249,000 (2005: HK\$154,457,000) were transferred to property, plant and equipment. The additions to property, plant and equipment during the period was approximately HK\$107,163,000 (2005: HK\$86,619,000).

The Group's investment properties were revalued at 30th June 2006 by independent professional property valuers, as follows:

Investment properties in Hong Kong – Knight Frank Petty Limited

Investment properties in the United States of America – Cushman & Wakefield of California, Inc.

The resulting increase in fair value of investment properties of approximately HK\$288,750,000 (2005: HK\$2,500,169,000) has been recognised directly in the condensed consolidated income statement.

(10) TRADE DEBTORS

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:

	30th June 2006 HK\$'000 (unaudited)	31st December 2005 HK\$'000 (audited)
0 – 3 months	194,377	192,729
3 – 6 months	4,529	13,885
Over 6 months	348	1,201
	199,254	207,815



(11) TRADE CREDITORS

The aged analysis of trade creditors is as follows:

	30th June 2006 HK\$'000 (unaudited)	31st December 2005 HK\$'000 (audited)
0 – 3 months	142,059	156,398
3 – 6 months	255	2,685
Over 6 months	2,648	2,071
	144,962	161,154

(12) DERIVATIVE FINANCIAL INSTRUMENTS

The amount represents the fair value of interest rate swap and quanto swap. The change in fair value has been recognised as income during the period.

(13) BORROWINGS

	30th June 2006 HK\$'000 (unaudited)	31st December 2005 HK\$'000 (audited)
Bills payable	6,917	1,722
Bank loans and revolving loans (secured)	8,881,325	14,192,423
Other non-current loans (secured)	1,741,041	1,748,027
	10,629,283	15,942,172
Loan front-end fee	(22,048)	(25,164)
	10,607,235	15,917,008
The maturity of the above loans is as follows:		
On demand or within one year	686,778	1,390,620
More than one year but not exceeding two years	1,452,396	1,396,452
More than two years but not exceeding five years	7,532,506	11,498,616
More than five years	935,555	1,631,320
	10,607,235	15,917,008
Less: Amounts due within one year shown under current liabilities	(686,778)	(1,390,620)
Amounts due after one year	9,920,457	14,526,388

(14) SHARE CAPITAL**(a) Authorised:**

	30th June 2006 (unaudited)		31st December 2005 (audited)	
	Number of Shares '000	Nominal Value HK\$'000	Number of shares '000	Nominal Value HK\$'000
Shares of HK\$0.5 each				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000



(b) Issued and fully paid:

	30th June 2006 (unaudited)		31st December 2005 (audited)	
	Number of Shares '000	Nominal Value HK\$'000	Number of shares '000	Nominal Value HK\$'000
Shares of HK\$0.5 each				
Balance brought forward	594,801	297,401	589,765	294,883
Issued upon exercise of share options under the Share Option Scheme	1,159	579	2,043	1,022
Issued as scrip dividends	–	–	2,993	1,496
Balance carried forward	595,960	297,980	594,801	297,401

(15) DISPOSAL OF PROPERTY INVESTMENT SUBSIDIARIES

On 26th April 2006, the Group entered into certain reorganisation agreements with HSBC Institutional Trust Services (Asia) Limited (as trustee on behalf of Champion Real Estate Investment Trust ("Champion REIT")) in connection with the disposal of the Group's property interests in Citibank Plaza and its related assets and liabilities. Details of the principal steps and process of the above reorganisation are set out in the circular of the Company dated 24th April 2006.

The above reorganisation was completed on 24th May 2006 and the transactions involved in the above reorganisation were accounted for as the disposal of property investment subsidiaries. The net assets of the property investment subsidiaries at the date of the disposal were as follows:

	HK\$'000 (unaudited)
Net assets disposed of:	
Investment properties	22,670,000
Debtors, deposits and prepayments	65,642
Bank balances and cash	256,627
Creditors, deposits and accruals	(92,864)
Provision for taxation	(8,866)
Deferred taxation	(3,291,691)
	19,598,848
Net assets attributable to minority interests	(2,067,282)
	17,531,566
Total consideration satisfied by:	
Cash	10,384,518
Fair value of units issued by Champion REIT to equity holders of the Company	6,882,428
	17,266,946
Loss on disposal of property investment subsidiaries	264,620
Net cash inflow arising on disposal:	
Cash consideration received	10,384,518
Bank balances and cash disposed of	(256,627)
	10,127,891

Immediately after the completion of the disposal, the Group received 1,349,495,877 units of Champion REIT (representing 49% interest in Champion REIT) with the then fair value of HK\$6,882,428,000 as part of the consideration from Champion REIT. The securities are classified as available-for-sale investments since the units are not held for trading purpose and that the directors of the Company consider that the Group is not able to exercise significant influence on the operating and financial policies of Champion REIT. At the balance sheet date, the fair value of the units of Champion REIT was HK\$5,195,560,000. The change in fair value has been charged to the investment revaluation reserve.



Independent Review Report



TO THE BOARD OF DIRECTORS OF GREAT EAGLE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by Great Eagle Holdings Limited (the "Company") to review the interim financial report set out on pages 1 to 11.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June 2006.

DELOITTE TOUCHE TOHMATSU

Certified Public Accountants

Hong Kong, 20th September, 2006



Interim Dividends

The Board declares payment of an interim dividend of HK5 cents per share (2005: HK3.5 cents per share) and a special interim dividend of HK\$5 per share for the year ending 31st December 2006 to those Shareholders whose names appear on the Register of Members of the Company on 19th October 2006. Dividend warrants are expected to be despatched to Shareholders on or about 26th October 2006.

Closure of Transfer Books

The Register of Members of the Company will be closed from Thursday, 12th October 2006 to Thursday, 19th October 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 interim dividend and special interim dividend, all share certificates accompanied by the duly completed transfers must be lodged with the Hong Kong Branch Registrars of the Company, Computershare Hong Kong Investor Services Limited of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 11th October 2006.

Chairman of the Company

The Directors report with the deepest sorrow the passing away of Mr. Lo Ying Shek, Chairman and Managing Director as well as the founder of Great Eagle Holdings Limited, on 1st September 2006. The late Mr. Lo dedicated his life to the establishment and development of the Group. His outstanding leadership made an irreplaceable contribution to the Group and his passing away is a great loss of the Group. His work ethic and spirit will remain guiding principles for the Group.

The Directors announce the appointment of Dr. Lo Ka Shui as Chairman of the Company with effect from 20th September 2006. Dr. Lo was first appointed a director of The Great Eagle Company, Limited in January 1980. He has been the Managing Director since 1987 and he has also taken up the role of Deputy Chairman since 1994. Dr. Lo has been instrumental in developing the Group into one of the market leaders in the property and hotel industries. The Directors strongly believe that Dr. Lo is the most suitable person to provide continuity in management and are confident that the Group will continue to grow under his leadership in the years ahead.



Management Discussion and Analysis

OPERATIONS REVIEW

1. Rental Properties

HONG KONG RENTAL PROPERTIES

(a) Rental Income

	Gross Rental Income (HK\$ million)	
	Jan-Jun 2006	Jan-Jun 2005
Citibank Plaza*	146.4	146.6
Great Eagle Centre	30.2	26.8
Langham Place		
Office	26.9	9.6
Commercial	160.5	165.6
Convention Plaza Apartments	1.7	1.5
Eaton House	15.5	17.5
Others	1.6	1.1
Total	382.8	368.7

(b) Occupancy and Rental Trend

	Occupancy at 30th June 2006		
	Office	Commercial	Residential
Citibank Plaza (as of 23rd May 2006)*	90.0%	100%	–
Great Eagle Centre	97.7%	100%	–
Langham Place	61.1%	94.7%	–
Convention Plaza Apartments	–	–	89.9%
Eaton Houses	–	–	71.2%#

* Upon the public listing of the Champion Real Estate Investment Trust ("Champion REIT") on 24th May 2006, the Group's interests in Citibank Plaza were disposed of to Champion REIT. The rental income from Citibank Plaza for the first half of 2006 therefore covered the period from 1st January 2006 to 23rd May 2006 and the occupancy rate was that as at 23rd May 2006.

Average occupancy rate for the 6 months ended 30th June 2006.



In the six months ended 30th June 2006, the Hong Kong Grade-A office market continued its strong upward trend, with generally higher occupancy rates and higher rent rates, due to active demand from the financial sector and a lack of new supply. The effects of positive rental reversion at our Hong Kong office properties began to show in their profit performance, though the impact was limited by the disposal of our interests in the Citibank Plaza property through the floatation of Champion REIT in May 2006. The income growth of our Hong Kong rental portfolio in the first half of 2006 was therefore mainly driven by Langham Place, as a result of the letting up of its office tower.

Citibank Plaza

During the first half of 2006, the Central Grade-A office market continued to tighten in the face of almost no new supply and unabated demand from banks and fund managers. We nonetheless maintained our strategy of seeking higher rent rates at the expense of temporary vacancy. As a result, the occupancy at Citibank Plaza improved only moderately from 86.1% as at 31st December 2005 to 90.0% as at 23rd May 2006, but the pipeline of new leases under negotiation was strong. Subsequently, many of those deals have been consummated, resulting in a significantly lower vacancy rate. This strategy has been proven to be correct by the 18% rise in Central rent rates during the first half of 2006. Net rental income for the first 6 months of 2006 of HK\$132.9 million was marginally higher than that of HK\$131.0 million for the first half of 2005 only because the former was related to a shorter period of 4 months and 23 days. On a time-adjusted basis, the growth in net rental income would have been 28.3%. From 24th May 2006 onward, income on the Group's 49% holding in Champion REIT is accounted for on an actual distribution basis, subject to waiver by the Group of 100%, 55% and 20% of its distribution entitlements for 2006, 2007 and 2008 respectively.

The retail areas were 100% leased throughout the period up to 23rd May 2006.

Langham Place

The Langham Place Mall has firmly established itself as a favourite destination for shoppers in Kowloon. The number of visitors to the Mall in recent months has shown considerable growth when compared with the same period last year. Sales volume reported by the tenants has also grown very satisfactorily year-on-year. Nevertheless, since late 2005, we have been embarking on a programme to refine the tenant-mix so that the retail offerings can be better aligned with the tastes and demand of the shoppers. The occupancy at the Mall was 94.7% as of 30th June 2006, a decline of 3.8% points from the 2005 year-end figure, representing the downtime associated with the tenant-mix realignment exercise. Gross rental income as a result declined by 3.1% from HK\$165.6 million in the first half of 2005 to HK\$160.5 million in 2006. The net rental income of the Mall however increased by 17.7% year-on-year to HK\$140 million due to a lower advertising and promotion expenses in 2006.

After selling four floors in 2005 to reduce the Group's gearing, the remaining 702,911 sq.ft. in the Office Tower will continue to be held as long term investment for letting purposes. Of this, 61.1% was occupied as at 30th June 2006, as compared to 46.7% as at 31st December 2005. The net rental income for the six months ended 30th June 2006 amounted to HK\$13.3 million, comparing with a deficit of HK\$4.2 million for the same period last year, which was caused by management and rates charges paid on vacant spaces. In line with the rise in general market rates, rent rates achieved for the incremental leases concluded at the Office Tower in the first half of 2006 were generally much higher than those for the initial batch of leases signed in early 2005. There should be a continual rise in rental income from the Langham Place Office Tower in the coming year as the positive impact of higher occupancy and higher rent rates are realized.

Great Eagle Centre

The Wanchai office market, which was already well-occupied at the beginning of the year, became even tighter in the first half of 2006 as non-financial tenants who could not afford the high rents in Central sought to decentralise. The limited availability pushed rents up strongly, very much in tandem with Central rates. As at 30th June 2006, the occupancy for offices in Great Eagle Centre was 97.7%, as compared to 96.4% as at 31st December 2005. As leases were rolled over at higher rent rates, the net rental income of Great Eagle Centre grew 13.2% from HK\$25.7 million for the first half of 2005 to HK\$29.1 million for the first half of 2006.

The retail portion of Great Eagle Centre stayed at 100% leased throughout the period.



Convention Plaza Apartments

The spot vacancy as of 30th June 2006 was 10.1% only because one apartment became vacant as at that date. Otherwise the apartments were fully occupied throughout the first half of 2006 with higher achieved rent rates. As a result, net rental income for the first 6 months of 2006 improved by 16.9% to HK\$1.3 million over the same period last year.

Eaton House furnished apartments

Occupancy at Blue Pool Road apartments was adversely affected by intense competition from new supply of service apartments located nearby. This resulted in a decline in overall average occupancy of the 3 Eaton House properties by 15 percentage points to 71.2% and net rental income by 23.8% to HK\$8.3 million.

U.S. COMMERCIAL PROPERTIES

Occupancy and Rental Income

	Gross Rental Income (HK\$ million)		
	Occupancy as at 30th June 2006	Jan-Jun 2006	Jan-Jun 2005
353 Sacramento Street	98%	38.3	35.8
150 Spear Street	71%	36.8	36.4
2700 Ygnacio Valley Road	85%	10.5	–
500 Ygnacio Plaza	96%	16.9	14.7
Total		102.5	86.9

The San Francisco Bay Area office markets trended up with general rental rates increased by 10% in the first half of 2006. Vacancy in the market place has also been declining. It is anticipated that rental rates will continue to move upward in the second half of 2006.

353 Sacramento Street in San Francisco was 98% occupied at mid-year 2006 and should remain highly occupied through the remainder of the year. The occupancy at 150 Spear Street was reduced by the departure of two major tenants who accounted for 43% of the building's area. Subsequent re-letting has brought the mid-year occupancy back to 71%, which is expected to improve further by the end of 2006. 2700 Ygnacio Valley Road was 85% occupied and should increase to 90% during the remainder of 2006. Occupancy at 500 Ygnacio Plaza was 96% and should remain relatively stable in the second half.

Net rental income of our U.S. properties declined despite the overall increase in occupancy and rental rates. While gross rental income showed an increase, significant costs associated with the re-letting of the vacant spaces in 150 Spear Street caused a drop in net income. The recovery of the leasing market in the past 2 years has resulted in current market rent rates approaching the level of average rental rates in our buildings. However, there will still be some negative rental reversion occurring as new leases are completed.



2. Hotels

The Hotels Division was the best performer during the first half of 2006 in terms of the growth in operating income. Total net operating profit from the Group's hotels for the first half of 2006 increased by 62% to HK\$314 million from HK\$194 million for the same period in 2005.

The hotels in Hong Kong showed very strong growth on the back of a robust economy, strong growth in business traveler, and the better recognition of the Langham brand in the market place. The overseas properties' performance was satisfactory, with London and Boston capitalizing on the economic recovery to leverage on corporate business. Melbourne is gradually gaining momentum whilst Auckland has yet to see real improvement in a lethargic market.

Market share growth has been achieved by the deployment of prudent and successful marketing initiatives and there are positive signs that the Langham brand is gaining momentum. In terms of segments, high-yield corporate and leisure business grew by 37% over last year at the expense of the lower-yield segments such as leisure groups, which declined by over 25%. This resulted in strong growth in revenue per available room at the majority of our hotels.

Looking ahead, the ongoing refurbishment programmes in various hotels will enhance the quality of the guest experience, which will eventually enable the Langham hotels to achieve a higher profile in the market place. We continue to pursue opportunities to grow the Langham and Langham Place brands in key international cities. A major development program has been established to market the brands to hotel owners and developers for securing management contracts.

HONG KONG OPERATIONS

Langham Hotel, Hong Kong

The hotel's performance for the first half of 2006 was very strong. It strategically focused on leveraging room rates due to strong demand from the corporate segment, which contributed 69% of the hotel's total business.

For the first 6 months of 2006, the hotel achieved an average occupancy of 86.5% (2005: 79.9%) and average room rate of HK\$1,285 (2005: HK\$1,149). Revenue per available room increased by 22% when compared to 2005.

Langham Place Hotel, Hong Kong

This 5-star hotel in an untested location achieved strong acceptance in the market place during the past 18 months. Its performance has also benefited from high room demand from the corporate segment. As a result, average occupancy at the hotel leapfrogged from 63.3% in the first half of 2005 to 83.5% in the same period in 2006. Average room rates also increased by 20% to HK\$1,049 for the first 6 months of 2006 from HK\$875 in 2005. The resulting 58% growth in RevPAR represented the best performance in our hotel portfolio.

The catering business also performed well, particularly with wedding banquets, while meetings and conferences also contributed to the growth.

Eaton Hotel, Hong Kong

A repositioning of this hotel in the market and the buoyant economy resulted in high demand of corporate, meetings and conference business. Average room rates increased by 16% from HK\$616 in first half of 2005 to HK\$712 in 2006. Average occupancy also improved from 81.8% in the first half of 2005 to 88% in 2006. The hotel's catering business also performed well, with strong growth in weddings, meetings and conferences.



INTERNATIONAL OPERATIONS

Langham Hotel, London

The hotel has benefited from the robust economy and its strategic focus which is placed on the corporate market. Average room rates for the first 6 months of 2006 rose 13.4% to £169 from £149 for the same period in 2005. Its average occupancy of 73% for the first half of 2006 was in line with that of last year.

The hotel is currently undergoing a phased renovation to position itself as the Group's flagship property and one of London's premier hotels.

Langham Hotel, Boston

An improving performance was witnessed in the first half of 2006 with the hotel capitalizing on the influx of business travelers associated with the numerous citywide conventions in 2006.

For the first 6 months of 2006, the hotel achieved an average occupancy of 72% (2005: 62%) and average room rate of US\$218 (2005: US\$198).

Langham Hotel, Melbourne

There has been a good recovery by the hotel following its re-branding in 2005 as corporate travelers become more familiar with the Langham brand. For the first 6 months of 2006, the hotel achieved an average occupancy of 79% (2005: 62%) and average room rate of A\$215 (2005: A\$212).

With a number of refurbishment projects continuing into the second half of 2006, the hotel should be in a position to recoup market share further.

Langham Hotel, Auckland

The city is experiencing a gradual slowdown in the lodging market, which has adversely impacted Hotel's performance. This coupled with the impact of the rooms and public area refurbishment in the first quarter of the year saw average occupancy declined by 5 percentage points to 70% for the first half of 2006 (2005: 75%). However, this was partially offset by average room rates which increased by 6% to NZ\$140 (2005: NZ\$132). The completion of the hotel refurbishment is gaining recognition from the market and an improvement in market share is anticipated.

Delta Chelsea Hotel, Toronto

This hotel achieved marginal growth with average room rates rising 10% to C\$134 for the first 6 months of 2006 from C\$122 in 2005, while average occupancy declined to 68% in the first half of 2006 as compared with 71% in 2005. Its performance was in line with competitor hotels.

3. Trading

Keen competition in the building material market continued in 2006. For the first 6 months of 2006, the revenue of Trading Division decreased by HK\$3.7 million to HK\$25.3 million.

4. Property Management

The revenue received from property management activities for the first 6 months of 2006 increased by 16.5% to HK\$9.1 million. The increase was mainly a result of higher management income generated from Langham Place. The income of Engineering Division for the first half of 2006 was HK\$9.0 million, a decrease of 10.0% as compared to that of the same period in 2005, due to intense competition in the trade.



FINANCIAL REVIEW

1. Debt

By successfully spinning off our property interests in Citibank Plaza by way of the public listing of Champion REIT in May 2006, we raised approximately HK\$10.4 billion in cash proceeds. Part of the proceeds was applied towards repayment of bank loans, where prepayment is permitted. The rest was held in cash and bank deposits, which at present on the average are generating yields sufficient to cover the interest expenses of a corresponding amount of bank loans, which are not yet pre-payable. As a result, the Consolidated Net Attributable Debt outstanding (net of cash and bank deposits) as of 30th June 2006 was HK\$4,080 million, a decrease of HK\$10,231 million from HK\$14,311 million as of 31st December 2005. Though the rise in U.S. interest rates may temporarily pause after an aggregate increase of 4.25% points in the past 36 months, the direction of interest rate movements remains highly uncertain. We therefore believe that it would be prudent to reduce our leverage and hence the exposure to interest rate fluctuations.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties as of 30th June 2006 and the depreciated costs of the Group's hotel properties, amounted to HK\$22,689 million as of 30th June 2006. The resulting gearing ratio at 30th June 2006 was 18%, which implies a loan-to-value ratio of 15%.

As at 30th June 2006, we had outstanding interest rate swaps with total notional principal of HK\$650 million, representing approximately 9.9% of our HK\$-denominated debts. The rest of our HK\$ debts were on floating-rate basis.

Our foreign currency debts as of 30th June 2006 amounted to the equivalent of HK\$4,073 million. These foreign currency borrowings are fully hedged by the value of the underlying properties. Of this, the equivalent of HK\$1,256 million, or 30.8% of our foreign currency debts, was on fixed-rate basis as of 30th June 2006.

2. Finance Cost

The net finance cost of HK\$358 million incurred in the first half of 2006, an increase of HK\$33 million over the HK\$325 million for the prior year period.

Interest cover for the first half of 2006 was 1.93 times, as compared with 1.53 times for the same period last year.

3. Liquidity and Debt Maturity Profile

As of 30th June 2006, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$8,798 million. The majority of our loan facilities is medium term in nature and is secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 30th June 2006:

Within 1 year	6.57%
1 – 2 years	13.68%
3 – 5 years	70.94%
More than 5 years	8.81%

4. Pledge of assets

As at 30th June 2006, properties of the Group with a total carrying value of approximately HK\$23,688 million (31st December 2005: HK\$46,286 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\$341 million (31st December 2005: HK\$489 million) was mortgaged or pledged to secure credit facilities granted to the Group.



5. Commitments and Contingent Liabilities

THE GROUP

As at 30th June 2006, the Group had authorised capital expenditures not provided for in these financial statements amounting to approximately HK\$4 million (31st December 2005: HK\$12 million) of which approximately HK\$1 million (31st December 2005: HK\$9 million) was contracted for.

Other than set out above, the Group did not have any significant commitments and contingent liabilities as at 30th June 2006.

OUTLOOK

We have successfully reduced the Group's net debt to HK\$4.08 billion and the gearing ratio to 18% as of 30th June 2006 through the disposition of our interests in Citibank Plaza by the flotation of Champion REIT. This has not only reduced our exposure to a highly uncertain interest rate environment in the coming months, but the lower debt level also gives us much more flexibility in increasing our dividend payout or otherwise creating value for the shareholders in the future. As a first step, the Directors have declared a special interim dividend of HK\$5 per share. Immediately after the special interim dividend, which amounts to a total sum of approximately HK\$2,998 million, the Group will retain a cash holding of approximately HK\$2,500 million.

After the disposal of our interests in Citibank Plaza, there will not be any distribution income from the REIT in respect of our 49% holding in the second half of 2006 because of our agreement to waive 100% of the distributions attributable to the Group for that period. However, because of the favourable rent reversion trend, which should lead to a substantial increase in net rental income of the Property, and lower percentages of distribution waiver by the Group in 2007 and 2008, there should be an increasing amount of distribution income from Champion REIT from 2007 onwards.

The performance of our two other office properties in Hong Kong, namely Langham Place Office Tower and Great Eagle Centre, will be underpinned by strong leasing market conditions favourable to landlords. There should be room for substantial growth in income from these properties.

The Langham Place Mall is undergoing a transitional phase while the tenant-mix is being fine-tuned. During the process, there will be more downtime and costs involved as tenancies are turned over. Though this will affect the income growth of the Mall to some extent in the coming year, we are effectively investing in the longer-term future of the Mall for much stronger growth in the years to come.

The Hotels Division should continue to do well in the second half of 2006 as there is positive momentum in almost all the markets we operate in. We expect the hotels to be a major engine for income growth for the Group in the second half.

STAFF

The total number of employees in the Group was 3,837 as of 30th June 2006. 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 have been arranged for the whole year.



Directors' Interests

As at 30th June 2006, 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

Name of Director	Number of shares (Long Positions)					Percentage of issued share capital	*Outstanding share options
	Personal interests	Family interests	Corporate interests	Other interests	Total		
LO Ying Shek (Late)	4,301,343	–	1,796,563 Note (9)	–	6,097,906	1.02	50,000
LO Ka Shui	7,281,619	–	25,993,974 Note (10)	234,057,789 Note (1)	267,333,382	44.86	500,000
LO Kai Shui	433,161	–	55,413,317 Note (11)	194,085,777 Note (1)	249,932,255	41.94	700,000
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	32.61	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	38.80	–
KAN Tak Kwong	526,042	–	–	–	526,042	0.09	430,000

* Details of share options granted to Directors are hereinafter stated 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

As at 30th June 2006, 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	6.62	(2)
Surewit Finance Limited	39,175,573	6.57	(2)
Hartwick Holdings Limited	55,194,178	9.26	(3)
Good Target Limited	55,194,178	9.26	(3)
Springtime Int'l Limited	40,139,456	6.74	(4)
Full Harvest Holdings Limited	40,139,456	6.74	(4)
Gainsland Investments Limited	38,068,710	6.39	(5)
Adscan Holdings Limited	33,269,396	5.58	(6)
HSBC International Trustee Limited	237,600,575	39.87	(7)
Powermax Agents Limited	143,082,768	24.01	(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.
- (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 237,600,575 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 237,600,575 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 the late 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).



Share Option Scheme

During the six months ended 30th June 2006, 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 Stock Exchange Listing Rules were as follows:

Name of Director	*Year of grant of options	Outstanding options at 01/01/2006	Number of shares			Options lapsed at 16/01/2006	Outstanding options at 30/06/2006
			Options granted	Options exercised	Options cancelled		
LO Ying Shek (Late)	2004	200,000	–	(200,000)	–	–	–
	2005	50,000	–	–	–	–	50,000
		250,000	–	(200,000)	–	–	50,000
LO Ka Shui	2004	200,000	–	–	–	–	200,000
	2005	300,000	–	–	–	–	300,000
		500,000	–	–	–	–	500,000
LO Kai Shui	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
		880,000	–	(180,000)	–	–	700,000
LO Hong Sui, Antony	2005	50,000	–	–	–	–	50,000
LAW Wai Duen	2005	50,000	–	–	–	–	50,000
KAN Tak Kwong	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
		560,000	–	(130,000)	–	–	430,000
Total:		2,290,000	–	(510,000)	–	–	1,780,000



During the six months ended 30th June 2006, movements of the share options granted to the Company's employees (including the abovenamed six Directors) as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

*Year of grant of options	Outstanding options at 01/01/2006	Number of shares			Options lapsed at 16/01/2006	Outstanding options at 30/06/2006
		Options granted	Options exercised	Options cancelled		
2001	502,000	–	(460,000)	–	(42,000)	–
2002	437,000	–	(108,000)	–	–	329,000
2003	411,000	–	(112,000)	–	–	299,000
2004	1,187,000	–	(479,000)	–	–	708,000
2005	1,596,000	–	–	(118,000)	–	1,478,000
	4,133,000	–	(1,159,000)	(118,000)	(42,000)	2,814,000

During the six months ended 30th June 2006, no share options were granted to the Company's employees (including the abovenamed six Directors).

* Details of Options granted in each year

Year	Date of grant	Vesting period	Exercise period	Subscription price per share (HK\$)
2001	16/01/2001	16/01/2001 – 16/01/2006	17/01/2003 – 16/01/2006	13.392
2002	28/01/2002	28/01/2002 – 28/01/2007	29/01/2004 – 28/01/2007	8.440
2003	10/02/2003	10/02/2003 – 10/02/2008	11/02/2005 – 10/02/2008	4.625
2004	16/03/2004	16/03/2004 – 16/03/2009	17/03/2006 – 16/03/2009	13.550
2005	17/03/2005	17/03/2005 – 17/03/2010	18/03/2007 – 17/03/2010	18.210

Notes:

- (1) Options were granted under the Great Eagle Holdings Limited Share Option Scheme adopted on 10th June 1999.
- (2) Consideration paid for each grant of option was HK\$1.00.
- (3) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$25.04.



Purchase, Sale or Redemption of Shares

During the six months ended 30th June 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

Audit Committee

The financial statements for the six months ended 30th June 2006 have been reviewed by the Audit Committee of the Company.

Compliance with the Code on Corporate Governance Practices

During the six months period ended 30th June 2006, the Company had complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Stock Exchange Listing Rules except certain deviations and, where appropriate, adopted some of the recommended best practices throughout the period under review.

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

CG Code Provision A.2.1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

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

The late Mr. Lo Ying Shek, the founder of the Company, was the Chairman of the Board and Dr. Lo Ka Shui was the Deputy Chairman. Both the late Mr. Lo Ying Shek and Dr. Lo Ka Shui were Managing Directors of the Company but the function of CEO has been assumed by Dr. Lo Ka Shui alone since 1985 and he was officially appointed as Managing Director in 1987.

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

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 at each annual general meeting. 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 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.

Due to ill health at the material time, the then Chairman of the Board (the late Mr. Lo Ying Shek) had not attended the AGM held in June 2006 and the said AGM was attended and chaired by the Deputy Chairman.

Compliance with the Model Code

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

By Order of the Board

LO Ka Shui

Chairman and Managing Director

Hong Kong, 20th September 2006





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