Great Eagle Holdings Limited
鷹君集團有限公司

Incorporated in Bermuda with limited liability

(Stock Code: 41)

2006 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The Board of Directors of Great Eagle Holdings Limited ("the Company") announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 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

	At 30th June 2006 *HK$'000* (unaudited)	At 31st December 2005 *HK$'000* (audited)
Non-current assets		
Property, plant and equipment	**7,468,591**	7,302,912
Prepaid lease payments	**1,818,340**	1,840,726
Investment properties	**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	**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	**1,183,218**	1,532,173
Dividend payable	**119,186**	–
Provision for taxation	**106,244**	92,760
Derivative financial instruments	**30,468**	44,356
Borrowings due within one year	**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	**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	**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

NOTES TO CONDENSED FINANCIAL STATEMENTS

INDEPENDENT REVIEW

The interim results for the six months ended 30th June 2006 are unaudited, but have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by Deloitte Touche Tohmatsu, whose independent review report is included in the interim report.

(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 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	2005
	HK$'000	*HK$'000*
	(unaudited)	(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	2005
	HK$'000	*HK$'000*
	(unaudited)	(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 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

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

	Occupancy as at 30th June 2006	Gross Rental Income *(HK$ million)* 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.

<u>International Operations</u>

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 pay-out 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.

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

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

*Dr. LO Ka Shui (Chairman and Managing Director), Mr. LO Kai Shui (Deputy Managing Director), Mrs. LO TO Lee Kwan, *Mr. CHENG Hoi Chuen, Vincent, *Professor WONG Yue Chim, Richard, * Mrs. LEE Pui Ling, Angelina, Mr. LO Hong Sui, Antony, Madam LAW Wai Duen, Mr. LO Hong Sui, Vincent, Dr. LO Ying Sui, Archie and Mr. KAN Tak Kwong*

** Independent Non-executive Directors*

Please also refer to the published version of this announcement in China Daily on 21st September 2006.