

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 half-year ended 30th June 2002, with comparative figures in 2001, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six Months Ended 30th June	
	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	(2)	1,214,218	1,291,201
Cost of sales		(649,064)	(690,493)
Gross profit		565,154	600,708
Other revenue		21,354	27,775
Administrative expenses		(48,741)	(63,462)
Other operating expenses		(18,269)	(19,789)
Profit from operations	(2) & (3)	519,498	545,232
Finance costs		(170,011)	(237,118)
Share of results of associates		192	(8,857)
Profit before taxation		349,679	299,257
Taxation	(4)	(58,310)	(61,439)
Profit after taxation		291,369	237,818
Minority interests		(17,011)	(12,783)
Profit attributable to shareholders		274,358	225,035
Interim dividend		29,148	40,396
Basic earnings per share	(5)	\$0.47	\$0.41
Diluted earnings per share	(5)	\$0.47	\$0.41

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th June 2002 HK\$'000	As at 31st December 2001 HK\$'000
ASSETS			
Non-current assets			
Fixed assets		28,654,536	27,809,250
Interests in associates		(12,443)	3,018
Other investments		21,970	23,409
Pledged bank deposits		–	95,414
		28,664,063	27,931,091
Current assets			
Inventories		46,315	57,050
Debtors, deposits and prepayments	(6)	294,162	323,639
Bank balances and cash		584,247	709,859
		924,724	1,090,548
		29,588,787	29,021,639
LIABILITIES			
Current liabilities			
Creditors, deposits and accruals	(7)	530,818	564,810
Borrowings due within one year	(8)	2,872,388	2,195,301
Provision for taxation		206,692	183,787
		3,609,898	2,943,898
Non-current liabilities			
Borrowings due after one year	(8)	9,727,730	10,155,374
Deferred taxation		178,315	173,470
		9,906,045	10,328,844
		13,515,943	13,272,742
MINORITY INTERESTS			
		630,395	625,652
		14,146,338	13,898,394
NET ASSETS			
		15,442,449	15,123,245
REPRESENTED BY			
Share capital	(9)	291,476	288,584
Reserves	(10)	15,150,973	14,834,661
TOTAL SHAREHOLDERS' FUNDS			
		15,442,449	15,123,245

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six Months Ended 30th June	
	2002 HK\$'000	2001 HK\$'000
Opening balance – total equity	15,123,245	17,502,340
Exchange difference arising on translation of revaluation of investment properties	8,342	(34,491)
Revaluation decrease in investments in securities	(1,443)	(1,389)
Exchange difference arising on translation of overseas operations	57,105	(60,344)
Investments in securities written off during the period	12,012	–
Revaluation decrease attributable to additional interest in an associate acquired during the period	(4,946)	–
Net gain/(loss) not recognised in the income statement	71,070	(96,224)
Profit attributable to shareholders	274,358	225,035
Dividend	(80,560)	(110,429)
Issue of share capital		
– share options	–	313
– scrip dividends	54,336	83,337
– for purchase of subsidiaries	–	300,060
Closing balance – total equity	15,442,449	17,904,432

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six Months Ended 30th June	
	2002 HK\$'000	2001 HK\$'000
Cash flows from operating activities		
Cash generated from operations	547,975	651,890
Interest paid	(288,114)	(319,482)
Hong Kong Profits Tax paid	(12,829)	(24,284)
Other jurisdictions tax paid	(18,158)	(25,155)
Other jurisdictions tax refunded	323	–
Net cash from operating activities	229,197	282,969
Cash flows from investing activities		
Purchase of fixed assets	(382,574)	(1,047,376)
Acquisition of subsidiaries	(32,439)	(1,640,986)
Capital return from other investment	–	11,699
Increase in other investments	–	(576)
Decrease in pledged deposits	95,414	9,544
Interest received	10,754	18,372
Dividends received from listed investments	33	35
Dividends received from unlisted investments	–	7,303
Dividends received from associates	–	4,934
Net cash used in investing activities	(308,812)	(2,637,051)
Cash flows from financing activities		
Issue of shares	–	328
Share issue expenses	(41)	(15)
Change in equity holding and net repayment to minority shareholders	(1,377)	(224,927)
New long-term loans	489,239	3,978,324
Repayments of long-term loans	(774,151)	(251,665)
Redemption of convertible bonds	–	(1,204,136)
Dividends paid to shareholders	(26,183)	(27,092)
Dividends paid to minority shareholders	(10,891)	–
Net cash (used in)/from financing activities	(323,404)	2,270,817
Net decrease in cash and cash equivalents	(403,019)	(83,265)
Effect of foreign exchange rate changes	(10,422)	(14,962)
Cash and cash equivalents at 1st January	609,394	372,317
Cash and cash equivalents at 30th June	195,953	274,090
Analysis of cash and cash equivalents		
Bank balances and deposits	584,247	733,237
Unsecured bank loans and overdrafts	(23,294)	(104,147)
Secured bank loans	(365,000)	(355,000)
	195,953	274,090

Notes:

(1) Principal Accounting Policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25, "Interim financial reporting", issued by the Hong Kong Society of Accountants and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2001 except that the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The effect of adopting these new or revised standards on the profit for the period is insignificant.

(2) Segment Information

Business segments

For management purposes, the Group is currently organised into three operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property leasing	–	rental income from leasing of properties.
Hotel operations	–	hotels and furnished apartments operations.
Other operations	–	property development, sales of building materials, restaurant operations, provision of property management, maintenance and agency services, provision of insurance agency services and sport club operations.

Segment information about these businesses is presented below:

Six Months Ended 30th June 2002

	Property leasing HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	404,157	713,362	96,699	–	1,214,218
Inter-segment sales	10,060	–	14,760	(24,820)	–
Total revenue	414,217	713,362	111,459	(24,820)	1,214,218
RESULT					
Segment result	361,965	177,614	15,238		554,817
Unallocated corporate expenses					(35,319)
Profit from operations					519,498
Finance costs					(170,011)
Share of results of associates	186	–	6		192
Profit before taxation					349,679
Taxation					(58,310)
Profit after taxation					291,369

Six Months Ended 30th June 2001

	Property leasing HK\$'000	Hotel operations HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	403,204	794,512	93,485	–	1,291,201
Inter-segment sales	12,646	–	14,973	(27,619)	–
Total revenue	415,850	794,512	108,458	(27,619)	1,291,201
RESULT					
Segment result	362,871	224,315	8,883		596,069
Unallocated corporate expenses					(50,837)
Profit from operations					545,232
Finance costs					(237,118)
Share of results of associates	986	–	(9,843)		(8,857)
Profit before taxation					299,257
Taxation					(61,439)
Profit after taxation					237,818

Geographical segments

A geographical analysis of the Group's turnover and contribution to profit from operations, by location of market, is as follows:

	Six Months Ended 30th June			
	2002 Turnover HK\$'000	2002 Contribution to profit from operations HK\$'000	2001 Turnover HK\$'000	2001 Contribution to profit from operations HK\$'000
Hong Kong	604,561	339,615	580,818	310,031
North America	361,359	114,407	431,706	144,696
Europe	131,195	40,945	149,256	54,227
Asia Pacific, other than Hong Kong	117,103	24,531	129,421	36,278
	1,214,218	519,498	1,291,201	545,232

(3) Profit from Operations

	Six Months Ended 30th June	
	2002 HK\$'000	2001 HK\$'000
Profit from operations has been arrived at after charging:		
Total borrowing costs	272,520	374,685
Less: Amount capitalised to property under development	(102,509)	(137,567)
Finance costs	170,011	237,118
Depreciation and amortisation	1,750	7,010
Fixed assets written off	4,721	7
Staff costs	273,482	291,620
Net exchange loss	75	-
and after crediting:		
Interest income	9,086	21,714
Dividend income	910	4,121
Net exchange gain	-	978

(4) Taxation

	Six Months Ended 30th June	
	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries:		
Hong Kong	33,493	28,484
Other jurisdictions	20,001	27,730
Deferred taxation	4,789	5,166
Share of taxation of associates:		
Hong Kong	27	59
	58,310	61,439

Hong Kong Profits Tax is calculated at 16% of the estimate assessable profit for the period.

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

(5) Earnings per Share

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

	Six Months Ended 30th June	
	2002 HK\$'000	2001 HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	274,358	225,035

	Six Months Ended 30th June	
	2002	2001
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	577,648,972	554,198,735
Effect of dilutive potential shares:		
Share options	456,389	1,166,937
Weighted average number of shares for the purpose of diluted earnings per share	578,105,361	555,365,672

The computation does not assume the exercise of certain Company's outstanding share options as the exercise prices of those options are higher than the average market price of the Company's shares for both 2002 and 2001.

(6) Trade Debtors

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30 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 2002 HK\$'000	31st December 2001 HK\$'000
0 - 3 months	105,252	140,372
3 - 6 months	19,667	16,123
Over 6 months	22,840	19,057
	147,759	175,552

(7) Trade Creditors

The aged analysis of trade creditors is as follows:

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
0 - 3 months	92,259	107,452
3 - 6 months	286	499
Over 6 months	621	883
	93,166	108,834

(8) Borrowings

	30th June 2002 HK\$'000	31st December 2001 HK\$'000
Bank loans and overdrafts (unsecured)	23,294	465
Bank loans (secured)	10,823,825	10,686,145
Bills payable	–	10,972
Other long term loans	1,752,999	1,653,093
	12,600,118	12,350,675
The maturity of the above loans and overdrafts is as follows:		
On demand or within one year	2,872,388	2,195,301
More than one year but not exceeding two years	2,169,312	1,710,182
More than two years but not exceeding five years	6,360,570	7,264,175
More than five years	1,197,848	1,181,017
	12,600,118	12,350,675
Less: Amount due within one year shown under current liabilities	(2,872,388)	(2,195,301)
Amount due after one year	9,727,730	10,155,374

(9) Share Capital(a) *Authorised:*

	30th June 2002		31st December 2001	
	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 2002		31st December 2001	
	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	577,167	288,584	552,105	276,052
Issued in consideration for the acquisition of subsidiaries	–	–	16,670	8,335
Issued upon exercise of share options under the Share Option Scheme	–	–	125	63
Issued as scrip dividends	5,785	2,892	8,267	4,134
Balance carried forward	582,952	291,476	577,167	288,584

(10) Reserves

	Share premium HK\$'000	Revaluation reserves HK\$'000	Exchange translation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 31st December 2001	3,081,010	4,717,223	(131,961)	404,190	6,764,199	14,834,661
Premium on issue of shares upon scrip dividend, net of expenses	51,444	–	–	–	–	51,444
Deficit arising on revaluation of securities during the period	–	(1,443)	–	–	–	(1,443)
Investments in securities written off during the period	–	12,012	–	–	–	12,012
Revaluation decrease attributable to additional interest in an associate acquired during the period	–	(4,946)	–	–	–	(4,946)
Exchange translation adjustments	–	8,342	–	–	–	8,342
Exchange difference on translation of net overseas investments	–	–	75,598	–	–	75,598
Net exchange loss on forward contracts	–	–	(18,493)	–	–	(18,493)
Final dividend for 2001	–	–	–	–	(80,560)	(80,560)
Profit for the period	–	–	–	–	274,358	274,358
Balance at 30th June 2002	3,132,454	4,731,188	(74,856)	404,190	6,957,997	15,150,973

INTERIM DIVIDEND

The Board declares payment of an interim dividend of HK5 cents per share for the year ending 31st December 2002 (2001: HK7 cents) to those Shareholders whose names appear on the Register of Members of the Company on 17th October 2002. Dividend warrants are expected to be despatched to Shareholders on or about 24th October 2002.

CLOSURE OF TRANSFER BOOKS

The Register of Members of the Company will be closed from Friday, 11th October 2002 to Thursday, 17th October 2002, both days inclusive, during which period no share transfers will be effected.

For those Shareholders who are not already on the Register of Members, in order to qualify for the interim dividend, all share certificates accompanied by the duly completed transfers must be lodged with the Hong Kong Branch Registrars of the Company, Computershare Hong Kong Investor Services Limited (formerly Central Registration Hong Kong Limited) of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 10th October 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

1. Rental Properties

Hong Kong Rental Properties

(a) Rental Income for the 6 months ended 30th June 2002

	Gross Floor Area (sq. ft.)				Parking Spaces	Gross Rental Income (HK\$ million)
	Office	Commercial	Residential			
Citibank Plaza	1,271,000	50,000	–	555	271.2	
Great Eagle Centre	193,000	77,000	–	296	35.4	
Astor Plaza	–	70,000	–	–	0.1	
Concordia Plaza	28,000	–	–	5	2.4	
Convention Plaza Apartments	–	–	10,000	–	1.7	
				Total	<u>310.8</u>	

(b) Occupancy and Rental Trend

	Occupancy at 30th June 2002		
	Office	Commercial	Residential
Citibank Plaza	85.6%	100.0%	–
Great Eagle Centre	94.3%	100.0%	–
Astor Plaza	–	34.7%	–
Concordia Plaza	100.0%	–	–
Convention Plaza Apartments	–	–	86.8%

Notwithstanding a very low level of new supply, the weakness of the Grade-A office market in Hong Kong continued into the first half of 2002. The situation was especially acute in the Core Central market, which suffered to a large extent from a lack of demand from the financial industry, where downsizing has been continuing. The office portion of Citibank Plaza, in line with the general market trend, saw sharply lower occupancy rates during the period. The Great Eagle Centre offices suffered to a smaller degree as the Wanchai North market is less reliant on the financial trade. In the face of higher vacancy, landlords had to offer higher inducement packages to retain tenants. Effective rent rates as a result declined further from year-end 2001 levels.

The lower rental rates appeared to have induced some bargain-hunting and upgrading activities in recent months. However, with no clear pick up in economic activities of Hong Kong in sight, the office leasing market is expected to remain slow for the rest of 2002.

A substantial portion of the small Astor Plaza shopping arcade is in the process of being converted into function rooms and exhibition areas, which will enhance the product offering of Eaton Hotel and potentially generate more favourable returns than the retail usage.

U.S. Commercial Properties

The softening of the US office markets in 2002 has resulted in lower occupancy and lower rental rates. However, as only 20% of the leases will expire during 2002, the softening market conditions should not have excessive impact on the portfolio. Revenues for the first six months of 2002 were only 4% less than in 2001, primarily due to the effect of higher rental rates of leases completed in 2001 having a full year impact in 2002 and offsetting the lower rates in 2002. In June the Group completed the purchase of the remaining joint venture interests it did not already own in the Northwestern Mutual Life office building at 888 West Sixth Street, Los Angeles. The consideration was US\$4.7 million together with assumption of the underlying debt. This brought the Company's interest in the property to 100%.

	Occupancy at 30th June 2002	Floor Area (sq. ft.)		Parking Spaces	Gross Rental Income (US\$ million)
		Office	Commercial		
Pacific Ygnacio Plaza	86%	121,000	–	379	1.5
353 Sacramento Street	83%	297,000	10,000	–	4.7
150 Spear Street	82%	294,000	2,000	17	5.8
888 West Sixth Street*	94%	103,000	15,000	142	0.1
				Total	12.1

* Gross Rental Income represents income attributed to the Group since the property became 100%-owned on 26th June 2002.

2. Hotels and Furnished Apartments

Hong Kong Operations

The impact of the September 11 incident continued to be felt in the early months of 2002. Demand was dampened by the impact of the USA's recent corporate revelations and general business confidence combined with the distraction of the World Cup football tournament, which reduced some regional travel, particularly out of Japan and Korea.

(i) *Great Eagle Hotel, Hong Kong*

Although there were some high spots in demand during the first half, the corporate segment remained sluggish and highly rate-conscious in light of the prevailing gloomy economic outlook. There was a great deal of local rate discounting as hotels sought to secure market share in lower demand periods. However, with the conclusion of the World Cup, we expect to see a resumption in travel regionally.

For the six months ended 30th June 2002, the hotel achieved an average occupancy of 82% and an average room rate of HK\$793 as compared to 78% and HK\$847 in 2001.

(ii) *Eaton Hotel, Hong Kong*

Notwithstanding the unstable regional and long-haul arrivals and intense local rate competition, the Hotel has maintained its market position, while expanding its market mix to be less reliant on regional leisure markets.

Two new banquet rooms completed last year have been well received. One additional function room is under construction to help strengthen the local meeting and conference business.

For the six months ended 30th June 2002, the hotel achieved an average occupancy of 82% and average room rate of HK\$408 as compared to 82% and HK\$454 in 2001.

(iii) Eaton House Furnished Apartment, Hong Kong

Performance suffered as corporations reduced demand for housing short-term expatriates. In addition to new supplies entering the market, some hotels have also joined the competition for long staying guests. Eaton House registered an average occupancy of 62% in the first half of 2002 as compared with 80% for the same period in 2001.

International Operations

(i) The Langham Hilton, London

From the second quarter of 2002 onwards, a generally positive outlook from the first quarter deteriorated with the UK travel trade reporting sharp declines in the leisure segment. London-wide occupancies in June were the lowest in nine years.

For the first half of 2002, the hotel achieved an average occupancy of 66% and an average room rate of £151 as compared to 69% and £168 in 2001.

(ii) Delta Chelsea Hotel, Toronto

The economic situation has not rebounded as had been anticipated earlier in the year. Leisure and corporate business has slowed down considerably in the city. City-wide conventions have not drawn the attendance projected. As a result, all hotels are offering reduced rates which impact on Delta Chelsea's commercial room nights while it has maintained strong support from its primarily domestic leisure markets.

For the first six months of 2002, the hotel achieved an average occupancy of 61% and an average room rate of C\$138 as compared to 72% and C\$138 in 2001.

(iii) Sheraton Towers Southgate Hotel, Melbourne

The group meetings market has followed a general downward trend this year throughout Australia, but particularly in Melbourne with the further impact of a lack of citywide meetings and conventions. Hotels that relied more on US-based customers, telecommunications and IT companies all had performances down in comparison to last year.

For the six months ended 30th June 2002, the hotel achieved an average occupancy of 67% and an average room rate of A\$221 as compared to 76% and A\$233 in 2001.

(iv) Hotel Le Meridien, Boston

Boston's overall hotel market recovery has been lagging behind the rest of the US. Overall business climate in the first half was not strong and was driven further by the recent stock market trends and uncertain economic prospects.

For the six months ended 30th June 2002, the hotel achieved an average occupancy of 69% and an average room rate of US\$198 as compared with 69% and US\$247 in 2001.

(v) Sheraton Auckland Hotel and Towers, Auckland

Meeting and conference business market segments have remained depressed throughout the city this year. Further declines have also been experienced in the very price sensitive tour and leisure market. As the supply of serviced apartment continued to increase, with only a modest growth in leisure arrivals, price-cutting remained a feature of the whole market during the first half.

For the six months ended 30th June 2002, the hotel achieved an average occupancy of 67% and an average room rate of NZ\$140 as compared with 75% and NZ\$146 in 2001.

3. Properties Under Development

Mongkok Project

After completing most of the foundation works by the end of 2001, the construction of the office tower, the retail block and the hotel block proceeded up to Level 7, Level 4 and Level 3 respectively as of 30th June 2002.

The special design of the retail block centering around the grand atrium has been completed with sophisticated features including a digital roof projection system, express escalators and state-of-the-art audio/visual systems. Approval has been obtained from the relevant government authorities for the construction of these elements and the two widened footbridges over Shanghai Street linking the hotel block. Target occupancy date of the project remains the end of 2003.

The total expenditure incurred in relation to the project, including interest capitalised, amounted to HK\$7,170 million as of 30th June 2002. Out of the HK\$5,100 million term loan arranged to finance the project, HK\$4,030 million remained available for drawing as at 30th June 2002 and should be sufficient to fund the project to completion.

4. Trading

During the period under review, Toptech Co. Limited continued to operate under unfavourable market conditions. Its income from operations for the first half of 2002 was HK\$12.9 million, almost unchanged from last year.

FINANCIAL REVIEW

1. Debt

Consolidated Net Attributable Debt outstanding (net of cash balances and debt attributable to minority interests) as of 30th June 2002 was HK\$11,567 million, an increase of HK\$491 million over that of HK\$11,076 million as of 31st December 2001. The increased borrowings were mainly related to the Mongkok project expenditures.

Consolidated Net Asset Value, based on independent valuation of the Group's investment properties as of 31st December 2001 and other assets at cost, amounted to HK\$15,442 million as of 30th June 2002. The resulting gearing ratio at 30th June 2002 was 75%.

As at 30th June 2002, we had outstanding interest rate swap contracts with total notional principal of HK\$2,420 million, representing approximately 28% of our HK\$-denominated debts.

Our foreign currency debts amounted to the equivalent of HK\$3,810 million as of 30th June 2002. Of this, HK\$1,065 million, or 28% of our foreign currency debts, were on fixed-rate basis.

2. Finance Cost

With a substantial portion of our HK\$ borrowings on floating-rate basis, we continued to benefit from lower interest rates in the first half of 2002. The net finance cost for the first half of 2002 was HK\$160.9 million, down from the HK\$215.4 million for the corresponding period in 2001. During the first half of 2002, HK\$102.5 million of finance cost relating to the Mongkok Project was capitalized, as compared to HK\$137.6 million for 2001.

3. Liquidity and Debt Maturity Profile

As of 30th June 2002, we had free cash and bank deposits and secured but undrawn loan facilities totalling HK\$5,048.2 million. The loan facilities are mainly medium-term in nature and are secured by properties, whose value comfortably covers the facility amounts overall. The following is a profile of the maturity of our outstanding debts as of 30th June 2002.

Within 1 year	22.8%
1 - 2 years	17.2%
3 - 5 years	50.5%
More than 5 years	9.5%

4. Pledge of assets

At 30th June 2002, the Group's properties with a total carrying value of approximately HK\$28,618 million (31st December 2001: HK\$27,773 million), together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties were mortgaged or pledged to secure credit facilities granted to the Group.

5. Commitments and Contingent Liabilities

The Group

At 30th June 2002, the Group had commitments and contingent liabilities, not provided for in these financial statements, as follows:

- (a) estimated expenditure in respect of property under development amounting to approximately HK\$3,448.8 million (31st December 2001: HK\$3,706.7 million) of which approximately HK\$2,846.3 million (31st December 2001: HK\$3,255.3 million) were contracted for;
- (b) authorised capital expenditure amounting to approximately HK\$48.8 million (31st December 2001: HK\$43.5 million) of which approximately HK\$37.2 million (31st December 2001: HK\$18.8 million) were contracted for; and
- (c) commitment under foreign exchange future contract to sell approximately HK\$153.5 million (31st December 2001: HK\$143.9 million) at a fixed exchange rate.

The Company

At 30th June 2002, the Company had issued corporate guarantees to certain banks in respect of credit facilities drawn by its subsidiaries amounting to approximately HK\$9,435.6 million (31st December 2001: HK\$9,248 million).

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 30th June 2002.

STAFF

The total number of employees in the Group was 2,583 as of 30th June 2002. In addition to salary payment, other benefits include discretionary bonus, education allowance, insurance, medical scheme, provident fund schemes. The Company has established a share option scheme in which senior employees, including executive directors, are entitled to participate.

OUTLOOK

The strong economic signals coming out of the United States at the start of the year have failed to translate into sustained growth. In the face of slow global demand, it will be unlikely to see an early recovery in demand for office premises by major financial institutions. We therefore anticipate further downward pressure on our property earnings in Hong Kong in the coming year. The performance of our Hong Kong and international hotel portfolio will similarly be affected by a lack of growth in global business travel. In this challenging operating environment, we will continue to manage our marketing efforts diligently and intelligently to ensure a sound level of occupancy at our properties. At the same time, prudent cost containment measures are being implemented.

We are pleased to have seen the Mongkok Project moved beyond the difficult foundation stage. Construction of the superstructure is now proceeding at a break-neck pace. We are striving to bring the project to timely completion. We are also thoughtfully adding unique features to this major mixed-use complex to ensure its eventual commercial success.

DIRECTORS' INTERESTS

As at 30th June 2002, the interests of the Directors and their associates in the shares of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance of Hong Kong (“SDI Ordinance”) were as follows:

Name of Company	Name of Director	Personal interests	Number of shares held			Total
			Family interests	Corporate interests	Other interests	
1. The Company	LO Ying Shek	5,069,110	-	-	-	5,069,110
	LO TO Lee Kwan	-	-	-	-	-
	LO Ka Shui	6,156,711	-	6,636,557 Note (5)	304,023,384 Note (1)	316,816,652
	LO Kai Shui	-	-	671,523 Note (6)	304,023,384 Note (1)	304,694,907
	Brian Shane McELNEY	14,000	-	-	-	14,000
	CHENG Hoi Chuen, Vincent	-	10,000	-	-	10,000
	WONG Yue Chim, Richard	-	-	-	-	-
	LEE Pui Ling, Angelina	-	-	-	-	-
	LO Hong Sui, Antony	2,769	-	-	-	2,769
	LAW Wai Duen	238,402	-	-	304,023,384 Note (1)	304,261,786
	LO Hong Sui, Vincent	279	-	-	-	279
	LO Ying Sui, Archie	3,805,046	3,662	300,000 Note (7)	304,023,384 Note (1)	308,132,092
	KAN Tak Kwong	314,503	-	-	-	314,503
2. Subsidiary Company						
	Century Faith Investment Limited (In Members' Voluntary Winding Up)			2 Note (8)	-	2

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2002, the following Shareholders, not being Directors of the Company, were recorded in the register kept pursuant to Section 16(1) of SDI Ordinance as having an interest in 10% or more of the issued share capital of the Company:

Name of Shareholder	Number of shares	Notes
LO Hung Suen	304,023,384	(1)
LO Wai Ki, Gwen	307,102,464	(1)
Shui Sing Company, Limited	81,667,316	(2)
Galtee Investment Limited	95,097,946	(2)
Shui Sing Holdings Limited	253,020,375	(3)
Shui Sing (BVI) Limited	253,020,375	(3)
HSBC Group*	304,200,384	(4)
The Capital Group Companies, Inc.	63,434,000	

* HSBC Group included HSBC Holdings plc and its subsidiaries, namely, HSBC Bank plc, Midcorp Limited, Griffin International Limited, HSBC Europe BV, HSBC Europe (Netherlands) BV and HSBC International Trustee Limited.

Notes:

- (1) The 304,023,384 shares of Dr. LO Ka Shui, Mr. LO Kai Shui, Madam LAW Wai Duen, Dr. LO Ying Sui, Archie and Madam LO Hung Suen and 304,023,384 of the 307,102,464 shares of Madam LO Wai Ki, Gwen were the same parcel of shares.
- (2) The 81,667,316 shares held by Shui Sing Company, Limited and the 95,097,946 shares held by Galtee Investment Limited were duplicated in the interests described in Note (3). Both of these companies were direct wholly-owned subsidiaries of Shui Sing (BVI) Limited which was a direct wholly-owned subsidiary of Shui Sing Holdings Limited.
- (3) These 253,020,375 shares held by Shui Sing Holdings Limited and Shui Sing (BVI) Limited were the same parcel of shares and were duplicated in the interests described in Note (1).
- (4) 304,023,384 shares of the 304,200,384 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 and/or deemed to be interested in the said 304,023,384 shares. HKIT was also the trustee of other discretionary trusts which was holding the remaining shares.
- (5) The 6,636,557 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (6) The 671,523 shares were held by a company in which Mr. LO Kai Shui had entire interest.
- (7) The 300,000 shares were held by a company in which Dr. LO Ying Sui, Archie had entire interest.
- (8) The 2 shares in Century Faith Investment Limited (In Members' Voluntary Winding Up) were held by a company in which Mr. LO Hong Sui, Vincent was interested.

SHARE OPTION SCHEME

During the six months ended 30th June 2002, movements of the share options granted to Directors (some are also substantial shareholders) under the Company's share option schemes as required to be disclosed according to Rule 17.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange Listing Rules") were as follows:

Name of Director	*Year of grant of options	No. of options	Number of shares					Outstanding options at 30/06/2002
			Outstanding options at 01/01/2002	Options granted	Options exercised	Options cancelled	Options lapsed on 15/04/2002	
LO Ying Shek	1997	(1)	120,000	-	-	-	(120,000)	-
	1998	1	300,000	-	-	-	-	300,000
	1999	1	120,000	-	-	-	-	120,000
	2000	1	130,000	-	-	-	-	130,000
	2001	1	180,000	-	-	-	-	180,000
	2002	1	-	150,000	-	-	-	150,000
		5	850,000	150,000	-	-	(120,000)	880,000
LO Ka Shui	1997	(1)	120,000	-	-	-	(120,000)	-
	1998	1	300,000	-	-	-	-	300,000
	1999	1	120,000	-	-	-	-	120,000
	2000	1	130,000	-	-	-	-	130,000
	2001	1	180,000	-	-	-	-	180,000
	2002	1	-	150,000	-	-	-	150,000
		5	850,000	150,000	-	-	(120,000)	880,000
LO Kai Shui	1997	(1)	120,000	-	-	-	(120,000)	-
	1998	1	300,000	-	-	-	-	300,000
	1999	1	120,000	-	-	-	-	120,000
	2000	1	130,000	-	-	-	-	130,000
	2001	1	180,000	-	-	-	-	180,000
	2002	1	-	150,000	-	-	-	150,000
		5	850,000	150,000	-	-	(120,000)	880,000
KAN Tak Kwong	1997	(1)	50,000	-	-	-	(50,000)	-
	1998	1	450,000	-	-	-	-	450,000
	1999	1	25,000	-	-	-	-	25,000
	2000	1	50,000	-	-	-	-	50,000
	2001	1	130,000	-	-	-	-	130,000
	2002	1	-	110,000	-	-	-	110,000
		5	705,000	110,000	-	-	(50,000)	765,000
		20	3,255,000	560,000	-	-	(410,000)	3,405,000

During the six months ended 30th June 2002, movements of the share options granted to the Company's employees (excluding the abovenamed four 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	No. of options	Number of shares					Options lapsed on 15/04/2002	Outstanding options at 30/06/2002
		Outstanding options at 01/01/2002	Options granted	Options exercised	Options cancelled			
1997	(22)	244,000	-	-	-	(244,000)	-	
1998	13	261,000	-	-	-	-	261,000	
1999	19	124,000	-	-	-	-	124,000	
2000	31	283,000	-	-	(7,000)	-	276,000	
2001	36	434,000	-	-	(31,000)	-	403,000	
2002	40	-	427,000	-	(11,000)	-	416,000	
	139	1,346,000	427,000	-	(49,000)	(244,000)	1,480,000	

* Details of Options granted in each year

Year	Date of grant	Vesting period	Exercise period	Subscription price per share (HK\$)
1997	15/04/1997	15/04/1997 - 15/04/2002	16/04/1999 - 15/04/2002	21.519
1998	22/01/1998	22/01/1998 - 22/01/2003	23/01/2000 - 22/01/2003	6.912
1999	12/03/1999	12/03/1999 - 12/03/2004	13/03/2001 - 12/03/2004	7.020
2000	14/02/2000	14/02/2000 - 14/02/2005	15/02/2002 - 14/02/2005	10.116
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

Notes:

- (1) Options granted in the years of 1997 to 1999 were granted under the previous Executive Share Option Scheme which expired on 16th March 1999. Options granted in the years of 2000 to 2002 were granted under 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 closing price of shares of HK\$0.50 each of the Company ("Shares") quoted on the Stock Exchange on 25th January 2002, being the business date immediately before the date (28th January 2002) on which share options were granted, was HK\$8.35.
- (4) The share options granted are not recognised in the financial statements until they are exercised. The Directors consider that it is not appropriate to disclose the value of options granted during the period, since any valuation of the above options would be subject to a number of assumptions that would be subjective and uncertain.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June 2002, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Stock Exchange Listing Rules. The financial statements for the six months ended 30th June 2002 have been reviewed by the Audit Committee of the Company.

By Order of the Board

LO YING SHEK

Chairman

Hong Kong, 12th September 2002