

Corporate Information

公司資料

DIRECTORS

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

PRINCIPAL BANKERS

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

SOLICITORS

Johnson, Stokes & Master
Clifford Chance

AUDITORS

Deloitte Touche Tohmatsu

SECRETARY

TSANG Yiu Wing, Peter

PRINCIPAL REGISTRARS

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

HONG KONG BRANCH REGISTRARS

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

REGISTERED OFFICE

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda
With effect from 1/10/2003, it will be changed to:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL OFFICE

33/F., Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

WEBSITE

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

董事

羅鷹石 主席兼董事總經理
羅杜莉君
羅嘉瑞 副主席兼董事總經理
羅啟瑞 副董事總經理
鄭海泉*
王于漸*
李王佩玲*
羅孔瑞
羅慧端
羅康瑞
羅鷹瑞
簡德光

主要往來銀行

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

律師

孖士打律師行
高偉紳律師行

核數師

德勤•關黃陳方會計師行

秘書

曾耀榮

主要股份過戶登記處

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

股份過戶登記處香港分處

香港中央證券登記有限公司
香港
灣仔
皇后大道東一八三號
合和中心十七樓

註冊辦事處

Cedar House
41 Cedar Avenue
Hamilton HM12 Bermuda
由二零零三年十月一日起更改為：
Canon's Court
22 Victoria Street
Hamilton HM12 Bermuda

主要辦事處

香港
灣仔
港灣道二十三號
鷹君中心三十三樓

網址

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

* Independent Non-Executive Directors
獨立非執行董事

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 2003, with comparative figures in 2002, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six Months Ended 30th June	
		2003	2002
		HK\$'000	HK\$'000
			(Restated)
Turnover	(2)	1,114,036	1,214,218
Cost of goods and services		(647,409)	(649,064)
Gross profit		466,627	565,154
Other operating income		11,938	21,354
Administrative expenses		(49,511)	(48,741)
Other operating expenses		(5,664)	(18,269)
Profit from operations	(3)	423,390	519,498
Finance costs		(165,816)	(170,011)
Share of results of associates		(733)	192
Profit before taxation		256,841	349,679
Taxation	(4)	(100,315)	(80,486)
Profit after taxation		156,526	269,193
Minority interests		(11,838)	(16,772)
Profit attributable to shareholders		144,688	252,421
Interim dividend		17,529	29,148
Basic earnings per share	(5)	\$0.25	\$0.44
Diluted earnings per share	(5)	\$0.25	\$0.44

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th June 2003 HK\$'000	As at 31st December 2002 HK\$'000 (Restated)
ASSETS			
Non-current assets			
Fixed assets		29,341,228	28,162,019
Interests in associates		(3,453)	131
Other investments		19,712	19,820
Deferred tax assets		113,438	98,101
Pledged bank deposits		–	4,610
		29,470,925	28,284,681
Current assets			
Inventories		66,786	51,131
Debtors, deposits and prepayments	(6)	268,474	275,644
Bank balances and cash		603,066	621,242
		938,326	948,017
		30,409,251	29,232,698
LIABILITIES			
Current liabilities			
Creditors, deposits and accruals	(7)	545,165	568,466
Provision for taxation		164,161	164,682
Borrowings due within one year	(8)	2,340,830	2,237,509
		3,050,156	2,970,657
Non-current liabilities			
Borrowings due after one year	(8)	11,610,664	10,803,785
Deferred tax liabilities		1,086,540	989,899
		12,697,204	11,793,684
		15,747,360	14,764,341
MINORITY INTERESTS			
		533,672	525,345
		16,281,032	15,289,686
NET ASSETS			
		14,128,219	13,943,012
REPRESENTED BY			
Share capital	(9)	292,145	291,489
Reserves	(10)	13,836,074	13,651,523
TOTAL SHAREHOLDERS' FUNDS		14,128,219	13,943,012

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six Months Ended 30th June	
	2003	2002
	HK\$'000	HK\$'000 (Restated)
Opening balance – total equity		
– as previously reported	14,603,844	15,123,245
– adjustment on adoption of SSAP 12 (Revised)	(660,832)	(627,668)
– as restated	13,943,012	14,495,577
Exchange difference arising on translation of revaluation of investment properties	17,363	4,951
Revaluation decrease in investments in securities	(107)	(1,443)
Exchange difference arising on translation of overseas operations	76,600	49,029
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 not recognised in the income statement	93,856	59,603
Profit attributable to shareholders	144,688	252,421
Dividends paid	(58,298)	(80,560)
Shares issued at premium	4,961	54,336
Closing balance – total equity	14,128,219	14,781,377

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six Months Ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Cash generated from operations	368,196	547,975
Interest paid	(253,022)	(288,114)
Hong Kong Profits Tax paid	(29,222)	(12,829)
Other jurisdictions tax paid	(12,167)	(18,158)
Other jurisdictions tax refunded	–	323
Net cash from operating activities	73,785	229,197
Investing activities		
Purchase of fixed assets	(778,991)	(382,574)
Acquisition of subsidiaries	–	(32,439)
Proceeds received from disposal of an associate	2,851	–
Decrease in pledged deposits	4,610	95,414
Interest received	7,816	10,754
Dividends received from listed investments	295	33
Net cash used in investing activities	(763,419)	(308,812)
Financing activities		
Share issue expenses	–	(41)
Advance to minority shareholders	(3,511)	(1,377)
New long-term loans	2,010,000	754,239
Repayments of long-term loans	(1,290,677)	(774,151)
Dividends paid to shareholders	(53,337)	(26,183)
Dividends paid to minority shareholders	–	(10,891)
Net cash from/(used in) financing activities	662,475	(58,404)
Decrease in cash and cash equivalents	(27,159)	(138,019)
Effect of foreign exchange rates changes	1,558	(10,422)
Cash and cash equivalents at 1st January	619,378	709,394
Cash and cash equivalents at 30th June	593,777	560,953
Analysis of cash and cash equivalents		
Bank balances and deposits	603,066	584,247
Bank overdrafts	(9,289)	(23,294)
	593,777	560,953

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 2002 except that the Group has changed its accounting policy following the adoption of SSAP 12 (Revised) "Income Taxes" issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. Opening retained profits at 1st January 2002 have been reduced by HK\$445.8 million, which is the cumulative effect of the change in policy on the results for period prior to 2002. The balance on the Group's property revaluation reserve and exchange translation reserve at 1st January 2002 have been reduced HK\$190.5 million and increased HK\$8.6 million respectively, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group's properties and exchange translation at that date. The effect of the change is an increased charge to income statement in the current period of HK\$44.3 million (2002: HK\$21.9 million).

(2) Business and Geographical Segments

Business segments

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

Principal activities are as follows:

- Property leasing – rental income from leasing of properties.
- Hotel operation – hotels and furnished apartments operations.
- Other operations – property development, sales of building materials, restaurant operation, provision of property management, maintenance and agency services, provision of insurance agency services and sports club 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 2003

	Property leasing HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	373,930	661,428	78,678	–	1,114,036
Inter-segment sales	12,506	–	13,130	(25,636)	–
Total revenue	386,436	661,428	91,808	(25,636)	1,114,036
Inter-segment sales are charged at a mutually agreed price.					
RESULT					
Segment results	317,095	127,790	13,915		458,800
Unallocated corporate expenses					(35,410)
Profit from operations					423,390
Finance costs					(165,816)
Share of results of associates	–	–	(733)		(733)
Profit before taxation					256,841
Taxation					(100,315)
Profit after taxation					156,526

Six Months Ended 30th June 2002 (Restated)

	Property leasing HK\$'000	Hotel operation 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
Inter-segment sales are charged at a mutually agreed price.					
RESULT					
Segment results	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					(80,486)
Profit after taxation					269,193

Geographical segments

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

	Six Months Ended 30th June			
	2003		2002	
	Turnover HK\$'000	Contribution to profit from operations HK\$'000	Turnover HK\$'000	Contribution to profit from operations HK\$'000
Hong Kong	496,124	257,154	604,561	339,615
North America	340,307	87,373	361,359	114,407
Europe	131,973	43,087	131,195	40,945
Asia Pacific, other than Hong Kong	145,632	35,776	117,103	24,531
	1,114,036	423,390	1,214,218	519,498

(3) Profit from Operations

	Six Months Ended 30th June	
	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Total borrowing costs	263,696	272,520
Less: Amount capitalised to property under development	(97,880)	(102,509)
Finance costs	165,816	170,011
Depreciation	2,251	1,750
Fixed assets written off	4,326	4,721
Staff costs, including directors' emoluments	281,036	273,482
Net exchange loss	10	75
and after crediting:		
Interest income	7,326	9,086
Dividend income	879	910

(4) Taxation

	Six Months Ended 30th June	
	2003	2002
	HK\$'000	HK\$'000 (Restated)
Current tax:		
Hong Kong	36,812	33,493
Other jurisdictions	4,090	7,056
	40,902	40,549
Deferred tax:		
Current year	30,632	41,912
Attributable to change in tax rate	28,781	(2,002)
	59,413	39,910
Taxation attributable to the Company and its subsidiaries	100,315	80,459
Share of taxation of associates	–	27
	100,315	80,486

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimate assessable profit for the period. The Profits Tax rate has been increased with effect from the 2003 year of assessment. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The change in accounting policy in accordance with the revised SSAP 12 "Income taxes" to account for deferred taxation has been applied retrospectively.

For comparative purpose, last period figures have been reclassified and restated.

(5) Earnings per Share

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

	Six Months Ended 30th June	
	2003	2002
	HK\$'000	HK\$'000 (Restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	144,688	252,421

	Six Months Ended 30th June	
	2003	2002
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	582,978,151	577,648,972
Effect of dilutive potential shares:		
Share options	108,762	456,389
Weighted average number of shares for the purpose of diluted earnings per share	583,086,913	578,105,361

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market prices of the Company's shares for both 2003 and 2002.

(6) 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 2003 HK\$'000	31st December 2002 HK\$'000
0 – 3 months	100,077	139,744
3 – 6 months	22,114	11,661
Over 6 months	15,460	20,854
	137,651	172,259

(7) Trade Creditors

The aged analysis of trade creditors is as follows:

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
0 – 3 months	91,711	117,451
3 – 6 months	1,137	697
Over 6 months	3,388	1,698
	96,236	119,846

(8) Borrowings

	30th June 2003 HK\$'000	31st December 2002 HK\$'000
Bank overdrafts (unsecured)	9,289	1,864
Bank loans and revolving loans (secured)	12,213,525	11,280,908
Bills payable	2,372	19,288
Other long-term loans (secured)	1,726,308	1,739,234
	13,951,494	13,041,294
The maturity of the above loans and overdrafts is as follows:		
On demand or within one year	2,340,830	2,237,509
More than one year but not exceeding two years	564,834	1,550,873
More than two years but not exceeding five years	7,925,830	6,598,498
More than five years	3,120,000	2,654,414
	13,951,494	13,041,294
Less: Amount due within one year shown under current liabilities	(2,340,830)	(2,237,509)
Amount due after one year	11,610,664	10,803,785

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

	30th June 2003		31st December 2002	
	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 2003		31st December 2002	
	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	582,978	291,489	577,167	288,584
Issued as scrip dividends	1,312	656	5,811	2,905
Balance carried forward	584,290	292,145	582,978	291,489

(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
At 1st January 2003						
– as previously reported	3,132,685	3,587,213	(55,423)	404,190	7,243,690	14,312,355
– adjustment on adoption of SSAP 12 (Revised)	–	(154,328)	(2,432)	–	(504,072)	(660,832)
– as restated	3,132,685	3,432,885	(57,855)	404,190	6,739,618	13,651,523
Premium received on issue of shares	4,305	–	–	–	–	4,305
Deficit arising on revaluation of securities during the period	–	(107)	–	–	–	(107)
Exchange adjustments	–	17,363	–	–	–	17,363
Exchange adjustment on translation of net overseas investments	–	–	104,662	–	–	104,662
Net exchange loss on forward contracts	–	–	(28,062)	–	–	(28,062)
Profit for the period	–	–	–	–	144,688	144,688
Dividend paid	–	–	–	–	(58,298)	(58,298)
Balance at 30th June 2003	3,136,990	3,450,141	18,745	404,190	6,826,008	13,836,074

Interim Dividend

The Board declares payment of an interim dividend of HK3 cents per share for the year ending 31st December 2003 (2002: HK5 cents) to those Shareholders whose names appear on the Register of Members of the Company on 16th October 2003. Dividend warrants are expected to be despatched to Shareholders on or about 23rd October 2003.

Closure of Transfer Books

The Register of Members of the Company will be closed from Friday, 10th October 2003 to Thursday, 16th October 2003, 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 of 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 9th October 2003.

Management Discussion and Analysis

OPERATIONS REVIEW

1. Rental Properties

Hong Kong Rental Properties

(a) *Rental Income for the 6 months ended 30th June 2003*

	Gross Floor Area (sq.ft.)			Parking Spaces	Gross Rental Income (HK\$ million)
	Office	Commercial	Residential		
Citibank Plaza	1,271,000	50,000	–	555	235.1
Great Eagle Centre	193,000	77,000	–	296	30.7
Concordia Plaza	28,000	–	–	5	2.4
Convention Plaza Apartments	–	–	10,000	–	1.6
				Total	<u>269.8</u>

(b) *Occupancy and Rental Trend*

	Occupancy at 30th June 2003		
	Office	Commercial	Residential
Citibank Plaza	86.5%	100.0%	–
Great Eagle Centre	93.4%	98.4%	–
Concordia Plaza	100.0%	–	–
Convention Plaza Apartments	–	–	100.0%

The weak demand of the financial sector continued to plague the Hong Kong Grade-A office market in the first half of 2003. The onset of SARS in April further exacerbated the situation. The imminent completion of a major new building in Central also created a supply over-hang, which added pressure on rent rates. Induced by the attractive low rent rates available in the core areas, bargain hunting activities by tenants from peripheral areas have been on the increase.

Though the occupancy at our Hong Kong rental properties remained steady at the levels at the beginning of the year, negative rental reversion on turn-over of tenancies resulted in a decrease in net rental income by 14.5% to HK\$250.3 million in the first half of 2003 as compared with HK\$292.7 million in the same period last year.

U.S. Commercial Properties

Occupancy and Rental Income

	Occupancy at 30th June 2003	Gross Floor Area (sq.ft.)		Parking Spaces	Gross Rental Income (US\$ million)
		Office	Commercial		
Pacific Ygnacio Plaza	92%	110,000	–	367	1.6
353 Sacramento Street	84%	294,000	12,000	–	4.7
150 Spear Street	82%	288,000	2,000	17	5.6
888 West Sixth Street	100%	99,000	14,000	95	1.5
				Total	<u>13.4</u>

The contribution of the U.S. portfolio for the first half of 2003 showed a moderate increase over that for the same period in 2002, mainly due to the full 6-month accounting of income from 888 West Sixth Street in 2003. There was little change in the aggregate income of the other three properties. Favorable leasing activities have resulted in an increase in overall occupancy from 81% to 86%, with further improvement expected for the remainder of 2003. The costs associated with the lease-up of vacant space will lower overall results for 2003, but should have a favorable impact in 2004.

2. Hotels and Furnished Apartments

Hong Kong Operations

The Hong Kong hotels faced an extremely challenging business environment in the first half of 2003. The economic uncertainties, the Iraq War and the outbreak of SARS devastated tourism and severely weigh down the hotels' performance.

(i) Great Eagle Hotel, Hong Kong

The hotel performed well until the last week of March when the first real sign of the SARS impact was felt. Occupancies were severely hit and dropped to single digits for weeks as all overseas source of business dried up. Food and beverage business fared marginally better, although banqueting and catering, the main profit generators for this area suffered badly through cancellations and postponements. The hotel implemented a range of cost control measures to mitigate the unprecedented loss of business.

Following decision by the Group to adopt "Langham" as the brand name for its 5-star properties, the hotel will be renamed "The Langham, Hong Kong" with effect from October 2003.

For the first half of 2003, the hotel achieved an average occupancy of 44% (2002: 82%) and average room rate of HK\$831 (2002: HK\$793).

(ii) Eaton Hotel, Hong Kong

While the year had begun well with a substantial growth in FIT and Internet market segments, there was a significant reduction in travel to Hong Kong, in response to the outbreak of SARS leading to an unprecedented decline in corporate and long-staying segments. The occupancy rate dipped to less than 10 per cent at the worst stage. The reduction in local patronage also adversely affected the food & beverage revenues especially in banqueting and catering.

For the first half of 2003, the hotel achieved an average occupancy of 45% (2002: 82%) and average room rate of HK\$454 (2002: HK\$408).

(iii) Eaton House Furnished Apartments, Hong Kong

Eaton House registered an average occupancy of 74% in the first half of 2003 as compared to 62% for the same period in 2002. However the increasing new supply of serviced apartments and weak corporate demand led to a decrease in rental rates.

International Operations*(i) The Langham Hilton, London*

The year started off very slowly. Although the tensions of war in Iraq and SARS impacted on inbound travel for the first four months, business has rebounded very quickly and the demand has been strong after the war. Food & beverage has performed reasonably well and has shown good resilience against the general downturn in the economy.

For the first half of 2003, the hotel maintained an average occupancy of 61% and average room rate of £142 as compared to 66% and £151 same period 2002.

The Group will take over management of this hotel when the current contract with Hilton Hotels expires in 2004 and operate the hotel under the newly adopted brand name. The hotel will be renamed "The Langham, London".

(ii) Delta Chelsea Hotel, Toronto

The SARS outbreaks in Toronto have a very profound impact on the tourism industry. The WHO travel advice was not lifted till June. Essentially, all major citywide conventions for the remainder of 2003 and the largest conventions in 2004 have been cancelled. Leisure and corporate business continues to decline. The performance of the Chelsea has been severely affected as a result.

For the first half of 2003, the hotel achieved an average occupancy of 57% and average room rate of C\$119 as compared to 61% and C\$138 same period 2002.

(iii) Sheraton Towers Southgate Hotel, Melbourne

The Iraq war, SARS and general global economic uncertainty primarily affected the hotel's international markets, which are traditionally higher yielding. The domestic market remained resilient to these events. By reorienting the focus, the hotel was able to maintain its market share though the average room rate was reduced.

For the first half of 2003, the hotel achieved an average occupancy of 71% (2002: 67%) and an average room rate of A\$216 (2002: A\$221).

(iv) *Hotel Le Meridien, Boston*

The Iraq War, the lagging economy and the slow pace of recovery of the equities market led to a significant drop in yields for the city of Boston in the first half of 2003 from last year. The hotel managed to keep up the occupancy by sharply reducing rates and getting into the fast growing Internet market segment. Food and beverage has been affected to a lesser extent due to a relatively good performance by the catering department and restaurants.

For the first half of 2003, the hotel achieved an average occupancy of 68% (2002: 69%) and average room rate of US\$173 (2002: US\$198).

The Group will take over management of this hotel when the current contract with Meridien Hotels, Inc. expires at the end of 2003. The hotel will be renamed "The Langham, Boston".

(v) *Sheraton Auckland Hotel and Towers, Auckland*

The first six months of trading has been negatively impacted by the Iraq war and SARS. The group tour segments have performed significantly below budget particularly during the second quarter when in-bound business traditionally comes from Asian markets. Despite those difficulties, business growth has occurred in the discount and Internet market segments.

For the six months ended June 2003, the hotel achieved an average occupancy of 67% (2002: 67%) and improved an average room rate to NZ\$153 (2002: NZ\$140).

3. Properties Under Development

Mongkok Project – Langham Place

In March 2003, the Development was formally named "Langham Place". By the end of August 2003, the 59-storey office tower and the 42-storey hotel block have been constructed up to the roof level. The 15-level retail structure has also been topped out, with roof installation in progress. External claddings and glazing to the office and hotel blocks are being installed, with over half of the facade already covered. Fitting out of the interiors has also commenced since the early part of this year.

The 5-star Langham Place Hotel is expected to obtain its occupation permit in the first quarter of 2004, and open for business in the third quarter. The office tower and the shopping centre are scheduled to be ready for move-in and business in the third quarter of 2004. Pre-leasing of the project will commence in the fourth quarter of 2003.

The total expenditure incurred in relation to the project, including interest capitalised, amounted to HK\$8,652 million as of 30th June 2003. Out of the HK\$5,100 million term loan arranged to finance the project, HK\$2,440 million remained available for drawing as at 30th June 2003 and should be sufficient to fund the project to completion.

4. Trading

The trading performance of the construction materials division in the first half of 2003 was adversely affected by the significant slowdown of construction activities of the Government Housing Authority and in the private segment. Gross revenue for the period amounted to HK\$34.6 million, down 34.7% from that for the corresponding period last year. The division is making progress in capturing more sales by way of product and geographical diversification.

5. Property Management

SARS has caused a significant increase in management expenses relating to the enhancement of cleansing and ventilation standards for properties under our management. In a deflationary environment, such increase in expenses leads to more pressure from the owners for lower manager's remuneration. Total manager's remuneration received in the first half of 2003 amounted to HK\$8.8 million, a slight drop from HK\$8.9 million in 2002.

Outside competition has been keen for the engineering division, thereby eroding the profit margin. It managed to increase its income in the first half of 2003 to HK\$4.4 million (2002: HK\$4.2 million) out of fees associated with special projects and effective cost control.

FINANCIAL REVIEW

1. Debt

Consolidated Net Attributable Debt outstanding (net of cash balances and debt attributable to minority interests) as of 30th June 2003 was HK\$12,916 million, an increase of HK\$961 million from HK\$11,955 million as of 31st December 2002. The increase was largely due to incremental capital expenditures at the Langham Place project.

Consolidated Net Asset Value, based on independent valuation of the Group's investment properties as of 31st December 2002 and other assets at cost, amounted to HK\$14,128 million as of 30th June 2003. The resulting gearing ratio at 30th June 2003 was 91%.

As at 30th June 2003, we had outstanding interest rate swap contracts with total notional principal of HK\$2,420 million, representing approximately 24% of our HK\$-denominated debts.

Our foreign currency debts amounted to the equivalent of HK\$3,932 million as of 30th June 2003. Of this, HK\$1,052 million, or 27% of our foreign currency debts, were on fixed-rate basis.

2. Finance Cost

The net finance cost of HK\$158.5 million incurred in the first half of 2003 was almost level with that of HK\$160.9 million for the prior year period as progressively lower interest rates offset the effects of incremental borrowings related to the Langham Place project. During the period, HK\$97.9 million of finance cost was capitalised, as compared with HK\$102.5 million in the first half of 2002.

Interest cover for the first half of 2003 was 1.69 times, as compared with 2.13 times for the prior year period.

3. Liquidity and Debt Maturity Profile

As of 30th June 2003, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$3,557 million. The majority of our loan facilities is medium to long 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 2003.

Within 1 year	16.8%
1 – 2 years	4.0%
3 – 5 years	56.8%
More than 5 years	22.4%

4. Pledge of Assets

At 30th June 2003, the Group's properties with a total carrying value of approximately HK\$29,305 million (31st December 2002: HK\$28,125 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 2003, 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\$2,182.6 million (31st December 2002: HK\$2,947.0 million) of which approximately HK\$1,795.7 million (31st December 2002: HK\$2,456.8 million) were contracted for;
- (b) authorised capital expenditure amounting to approximately HK\$65.8 million (31st December 2002: HK\$74.4 million) of which approximately HK\$19.6 million (31st December 2002: HK\$13.3 million) were contracted for; and
- (c) commitment under foreign exchange future contract to sell approximately HK\$171.6 million (31st December 2002: HK\$154.3 million) at a fixed exchange rate.

The Company

At 30th June 2003, the Company had issued corporate guarantees to certain banks in respect of credit facilities drawn by its subsidiaries amounting to approximately HK\$10,798.8 million (31st December 2002: HK\$9,915.1 million).

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 30th June 2003.

OUTLOOK

The Hong Kong hotel industry, after the devastation by SARS and the Iraq war in the first half of 2003, is clearly on a solid path of recovery. As business activities go back to normal, we are seeing solid bookings at our two Hong Kong hotels for the peak season starting September. The recent relaxation of travel restrictions for individual travellers from the Mainland will bring a new wave of demand for hotels rooms. This should set the stage for a meaningful improvement in room rates for Hong Kong hotels in the coming year. Our overseas hotels as a whole should also perform better in the second half of 2003 as the impacts of the war and SARS recede and business sentiments in the United States gradually improve.

We remain cautious on the prospects of the office market in Hong Kong in the second half of 2003. While leasing activities have been increasing as rents have dropped to their lowest level for over a decade, there has yet to be any evident pick up in demand from the financial sector. The overhang of new supplies will also keep a lid on rent rates for the remainder of the year. There should be further downside in the rental income of our office properties as we remain in a negative rental reversion cycle.

Construction of the Mongkok Langham Place project has been making good progress. The different components of the development will open for business in the third quarter of 2004 as scheduled. We are also in the final stages of planning for the launch of marketing of the shopping centre and the hotel. Our marketing efforts appear well timed to capitalise on the recent surge in sentiments in both the retail and hotel sectors.

STAFF

The total number of employees in the Group was 2,628 as of 30th June 2003. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in Great Eagle Holdings Limited Share Option Scheme. In order to improve employees' morale and sense of teamwork, some measures were taken to enhance employee benefits and training as well as to enhance employee relations through internal communications and regular meetings of general staff with senior management.

Directors' Interests

As at 30th June 2003, 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	Personal interests	Family interests	Number of shares (Long Positions)		Total	Percentage of issued share capital	*Outstanding share options
			Corporate interests	Other interests			
LO Ying Shek	5,069,110	–	–	–	5,069,110	0.87	730,000
LO Ka Shui	6,156,711	–	6,636,557 Note (8)	306,383,384 Note (1)	319,176,652	54.63	730,000
LO Kai Shui	–	–	671,523 Note (9)	306,383,384 Note (1)	307,054,907	52.55	730,000
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–
LO Hong Sui, Antony	2,842	–	–	–	2,842	–	–
LAW Wai Duen	238,402	–	–	306,383,384 Note (1)	306,621,786	52.48	–
LO Hong Sui, Vincent	286	–	–	–	286	–	–
LO Ying Sui, Archie	3,805,046	3,662	300,000 Note (10)	306,383,384 Note (1)	310,492,092	53.14	–
KAN Tak Kwong	314,503	–	–	–	314,503	0.05	415,000

* Details of share options granted to Directors are hereinafter stated under the heading of Share Option Scheme.

Other than as stated above, none of the Directors and their associates had any interest or short position in the shares and 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 2003, the following Shareholders, not being Directors of the Company, were recorded in the register of interests and short positions in the shares and 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
LO Wai Ki, Gwen	309,462,464	52.96	(1)
LO Hung Suen	306,383,384	52.44	(1)
Shui Sing Holdings Limited	255,380,375	43.71	(2)
Shui Sing (BVI) Limited	255,380,375	43.71	(2)
Galtee Investment Limited	95,097,946	16.28	(3)
Shui Sing Company, Limited	81,667,316	13.98	(3)
Egerton Holdings Limited	46,362,901	7.93	(3)
Springtime Int'l Limited	39,423,892	6.75	(4)
Full Harvest Holdings Limited	39,423,892	6.75	(4)
Gainsland Investments Limited	37,390,058	6.40	(5)
HSBC International Trustee Limited	306,724,409	52.50	(6)
The Capital Group Companies, Inc.	41,503,800	7.10	(7)

Notes:

- (1) The 306,383,384 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 306,383,384 of the 309,462,464 shares of Madam LO Wai Ki, Gwen were the same parcel of shares.
- (2) These 255,380,375 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).
- (3) The 95,097,946 shares held by Galtee Investment Limited, the 81,667,316 shares held by Shui Sing Company, Limited and the 46,362,901 shares held by Egerton Holdings Limited were duplicated in the interests described in Note (2). All 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.
- (4) These 39,423,892 shares held by Springtime Int'l Limited and Full Harvest Holdings Limited were the same parcel of shares.
- (5) The 37,390,058 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) 306,383,384 shares of the 306,724,409 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 306,383,384 shares. The remaining shares were held by other trusts for which HKIT acted as trustee.
- (7) The 41,503,800 shares were held by The Capital Group Companies, Inc. in the capacity of investment manager.
- (8) The 6,636,557 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (9) The 671,523 shares were held by a company in which Mr. LO Kai Shui had entire interest.
- (10) The 300,000 shares were held by a company in which Dr. LO Ying Sui, Archie had entire interest.

Other than as stated 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 and underlying shares of the Company (within the meaning of Part XV of the SFO).

Share Option Scheme

During the six months ended 30th June 2003, 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	Number of shares					Options lapsed on 22/01/2003	Outstanding options at 30/06/2003
		Outstanding options at 01/01/2003	Options granted	Options exercised	Options cancelled			
LO Ying Shek	1998	300,000	–	–	–	(300,000)	–	
	1999	120,000	–	–	–	–	120,000	
	2000	130,000	–	–	–	–	130,000	
	2001	180,000	–	–	–	–	180,000	
	2002	150,000	–	–	–	–	150,000	
	2003	–	150,000	–	–	–	150,000	
			880,000	150,000	–	–	(300,000)	730,000
LO Ka Shui	1998	300,000	–	–	–	(300,000)	–	
	1999	120,000	–	–	–	–	120,000	
	2000	130,000	–	–	–	–	130,000	
	2001	180,000	–	–	–	–	180,000	
	2002	150,000	–	–	–	–	150,000	
	2003	–	150,000	–	–	–	150,000	
			880,000	150,000	–	–	(300,000)	730,000
LO Kai Shui	1998	300,000	–	–	–	(300,000)	–	
	1999	120,000	–	–	–	–	120,000	
	2000	130,000	–	–	–	–	130,000	
	2001	180,000	–	–	–	–	180,000	
	2002	150,000	–	–	–	–	150,000	
	2003	–	150,000	–	–	–	150,000	
			880,000	150,000	–	–	(300,000)	730,000
KAN Tak Kwong	1998	450,000	–	–	–	(450,000)	–	
	1999	25,000	–	–	–	–	25,000	
	2000	50,000	–	–	–	–	50,000	
	2001	130,000	–	–	–	–	130,000	
	2002	110,000	–	–	–	–	110,000	
	2003	–	100,000	–	–	–	100,000	
			765,000	100,000	–	–	(450,000)	415,000
Total:		3,405,000	550,000	–	–	(1,350,000)	2,605,000	

During the six months ended 30th June 2003, movements of the share options granted to the Company's employees (including 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	Number of shares					Outstanding options at 30/06/2003
	Outstanding options at 01/01/2003	Options granted	Options exercised	Options cancelled	Options lapsed on 22/01/2003	
1998	1,611,000	–	–	–	(1,611,000)	–
1999	509,000	–	–	–	–	509,000
2000	711,000	–	–	–	–	711,000
2001	1,067,000	–	–	–	–	1,067,000
2002	970,000	–	–	(2,000)	–	968,000
2003	–	996,000	–	(2,000)	–	994,000
	4,868,000	996,000	–	(4,000)	(1,611,000)	4,249,000

* Details of Options granted in each year

Year	Date of grant	Vesting period	Exercise period	Subscription price per share (HK\$)
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
2003	10/02/2003	10/02/2003 – 10/02/2008	11/02/2005 – 10/02/2008	4.625

Notes:

- (1) Options granted in the years of 1998 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 2003 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 the shares of HK\$0.50 each of the Company quoted on the Stock Exchange on 7th February 2003, being the business date immediately before the date (10th February 2003) on which share options were granted, was HK\$4.55.
- (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 2003, 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 2003 have been reviewed by the Audit Committee of the Company.

By Order of the Board

LO KA SHUI

Managing Director

Hong Kong, 9th September 2003