

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

* *Independent Non-Executive Directors*

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

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Pembroke HM08

Bermuda

Hong Kong Branch Registrars

Computershare Hong Kong Investor Services Limited

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Registered Office

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Bermuda

Principal Office

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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

* 獨立非執行董事

主要往來銀行

香港上海滙豐銀行有限公司

中國銀行(香港)有限公司

恒生銀行有限公司

花旗銀行

律師

孖士打律師行

高偉紳律師行

核數師

德勤 • 關黃陳方會計師行

秘書

曾耀榮

主要股份過戶登記處

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Interim Results

The Board of Directors of Great Eagle Holdings Limited (“the Company”) announces the unaudited consolidated results of the Company and its subsidiaries (“the Group”) for the half-year ended 30th June 2004, with comparative figures in 2003, as follows:

Condensed Consolidated Income Statement

	Notes	Six Months Ended 30th June	
		2004 HK\$'000	2003 HK\$'000
Turnover	(2)	1,280,895	1,114,036
Cost of goods and services		(831,567)	(647,409)
Gross profit		449,328	466,627
Other operating income		10,960	11,938
Administrative expenses		(48,864)	(49,511)
Other operating expenses		(10,194)	(5,664)
Profit from operations	(3)	401,230	423,390
Finance costs		(160,426)	(165,816)
Share of results of associates		2,439	(733)
Profit before taxation		243,243	256,841
Taxation	(4)	(70,649)	(100,315)
Profit after taxation		172,594	156,526
Minority interests		(8,659)	(11,838)
Profit attributable to shareholders		163,935	144,688
Interim dividend		20,637	17,529
Basic earnings per share	(5)	\$0.28	\$0.25
Diluted earnings per share	(5)	\$0.28	\$0.25

Condensed Consolidated Balance Sheet

	Notes	As at 30th June 2004 HK\$'000	As at 31st December 2003 HK\$'000
ASSETS			
Non-current assets			
Fixed assets		30,815,716	30,134,187
Interests in associates		18,782	8,789
Other investments		13,794	24,440
Pledged bank deposits		3,600	3,600
		30,851,892	30,171,016
Current assets			
Inventories		42,243	66,073
Debtors, deposits and prepayments	(6)	285,884	277,196
Bank balances and cash		602,506	637,149
		930,633	980,418
		31,782,525	31,151,434
LIABILITIES			
Current liabilities			
Creditors, deposits and accruals	(7)	592,246	662,002
Provision for taxation		122,261	119,267
Borrowings due within one year	(8)	1,106,116	1,544,706
		1,820,623	2,325,975
Non-current liabilities			
Borrowings due after one year	(8)	14,248,979	13,283,607
Deferred taxation		1,302,873	1,272,202
		15,551,852	14,555,809
		17,372,475	16,881,784
MINORITY INTERESTS			
		488,511	481,560
		17,860,986	17,363,344
NET ASSETS		13,921,539	13,788,090
REPRESENTED BY			
Share capital	(9)	294,802	292,153
Reserves	(10)	13,626,737	13,495,937
TOTAL SHAREHOLDERS' FUNDS		13,921,539	13,788,090

Condensed Consolidated Statement Of Changes In Equity

	Six Months Ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Opening balance – total equity	13,788,090	13,943,012
Exchange difference arising on translation of revaluation of investment properties	6,406	17,363
Revaluation decrease in other investments	(923)	(107)
Exchange difference arising on translation of overseas operations	(24,256)	76,600
Net (loss) gain not recognised in the income statement	(18,773)	93,856
Profit attributable to shareholders	163,935	144,688
Revaluation surplus released upon disposal of other investments	(2,406)	–
	161,529	144,688
Dividends paid	(58,491)	(58,298)
Shares issued at premium	49,190	4,961
Share issue expenses	(6)	–
Closing balance – total equity	13,921,539	14,128,219

Condensed Consolidated Cash Flow Statement

	Six Months Ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Cash generated from operations	353,595	368,196
Interest paid	(245,736)	(253,022)
Hong Kong Profits Tax paid	(22,897)	(29,222)
Other jurisdictions tax paid	(15,586)	(12,167)
Net cash from operating activities	69,376	73,785
Investing activities		
Purchase of fixed assets	(655,254)	(778,991)
(Advance to) repayment from an associate	(4,912)	2,851
Decrease in pledged bank deposits	–	4,610
Interest received	6,451	7,816
Dividends received from listed investments	286	295
Dividends received from unlisted investments	292	–
Investments in an associate	(2,649)	–
Capital return from an other investment	3,897	–
Proceeds from disposal of listed investment	5,983	–
Net cash used in investing activities	(645,906)	(763,419)
Financing activities		
Issue of shares	4,533	–
Share issue expenses	(6)	–
Advance to minority shareholders	(1,708)	(3,511)
New long-term loans	1,311,664	2,010,000
Repayments of long-term loans	(749,220)	(1,290,677)
Dividends paid to shareholders	(13,834)	(53,337)
Net cash from financing activities	551,429	662,475
Decrease in cash and cash equivalents	(25,101)	(27,159)
Effect of foreign exchange rates changes	(9,537)	1,558
Cash and cash equivalents at 1st January	636,056	619,378
Cash and cash equivalents at 30th June	601,418	593,777
Analysis of cash and cash equivalents		
Bank balances and deposits	602,506	603,066
Bank overdrafts	(1,088)	(9,289)
	601,418	593,777

Notes:

(1) Principal Accounting Policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public 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 2003.

(2) Business and Geographical Segments

Business segments

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

- 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 2004

	Property leasing HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER					
External sales	319,501	865,148	96,246	–	1,280,895
Inter-segment sales	15,503	–	8,318	(23,821)	–
Total revenue	335,004	865,148	104,564	(23,821)	1,280,895
Inter-segment sales are charged at a mutually agreed price.					
RESULT					
Segment results	253,263	166,056	16,985		436,304
Unallocated corporate expenses					(35,074)
Profit from operations					401,230
Finance costs					(160,426)
Share of results of associates	–	–	2,439		2,439
Profit before taxation					243,243
Taxation					(70,649)
Profit after taxation					172,594

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

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			
	2004		2003	
	Turnover HK\$'000	Contribution to profit from operations HK\$'000	Turnover HK\$'000	Contribution to profit from operations HK\$'000
Hong Kong	540,681	225,271	496,124	257,154
North America	398,376	107,519	340,307	87,373
Europe	168,267	29,541	131,973	43,087
Asia Pacific, other than Hong Kong	173,571	38,899	145,632	35,776
Total	1,280,895	401,230	1,114,036	423,390

(3) Profit from Operations

	Six Months Ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Total borrowing costs	248,411	263,696
Less: Amount capitalised to property under development	(87,985)	(97,880)
Finance costs	160,426	165,816
Depreciation	2,473	2,251
Fixed assets written off	9,054	4,326
Staff costs, including directors' emoluments	357,800	281,036
Net exchange loss	–	10
and after crediting:		
Interest income	6,446	7,326
Dividend income	578	879
Net exchange gain	285	–

(4) Taxation

	Six Months Ended 30th June	
	2004 HK\$'000	2003 HK\$'000
Current taxation:		
Current year:		
Hong Kong Profits Tax	27,559	36,812
Other jurisdictions	13,547	3,639
	41,106	40,451
Underprovision in prior years:		
Hong Kong Profits Tax	236	–
Other jurisdictions	4	451
	240	451
Deferred taxation:		
Current year	29,297	30,632
Attributable to changes in tax rate	–	28,781
	29,297	59,413
Taxation attributable to the Company and its subsidiaries	70,643	100,315
Share of taxation of associates:		
Current year	6	–
	70,649	100,315

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective 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	
	2004 HK\$'000	2003 HK\$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	163,935	144,688

	Six Months Ended 30th June	
	2004	2003
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	585,057,226	582,978,151
Effect of dilutive potential shares: Share options	1,237,725	108,762
Weighted average number of shares for the purpose of diluted earnings per share	586,294,951	583,086,913

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 2004 and 2003.

(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 2004 HK\$'000	31st December 2003 HK\$'000
0 – 3 months	130,922	129,185
3 – 6 months	15,417	17,454
Over 6 months	8,413	13,141
	154,752	159,780

(7) Trade Creditors

The aged analysis of trade creditors is as follows:

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
0 – 3 months	95,794	157,985
3 – 6 months	450	1,344
Over 6 months	2,624	2,616
	98,868	161,945

(8) Borrowings

	30th June 2004 HK\$'000	31st December 2003 HK\$'000
Bank overdrafts (unsecured)	1,088	1,093
Bank loans and revolving loans (secured)	13,584,288	13,082,943
Bills payable	655	4,173
Other non-current loans (secured)	1,769,064	1,740,104
	15,355,095	14,828,313
The maturity of the above loans and overdrafts is as follows:		
On demand or within one year	1,106,116	1,544,706
More than one year but not exceeding two years	2,245,587	1,452,131
More than two years but not exceeding five years	10,240,376	10,731,476
More than five years	1,763,016	1,100,000
	15,355,095	14,828,313
Less: Amounts due within one year shown under current liabilities	(1,106,116)	(1,544,706)
Amounts due after one year	14,248,979	13,283,607

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

	30th June 2004		31st December 2003	
	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 2004		31st December 2003	
	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	584,305	292,153	582,978	291,489
Issued upon exercise of share options under the Share Option Scheme	608	304	15	8
Issued as scrip dividends	4,691	2,345	1,312	656
Balance carried forward	589,604	294,802	584,305	292,153

(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 1st January 2004	3,137,043	2,949,598	105,174	404,190	6,899,932	13,495,937
Premium on issue of shares	46,541	–	–	–	–	46,541
Expenses on share issue	(6)	–	–	–	–	(6)
Deficit arising on revaluation of securities during the period	–	(923)	–	–	–	(923)
Exchange adjustments	–	6,406	–	–	–	6,406
Released upon disposal of other investments	–	(2,406)	–	–	–	(2,406)
Exchange adjustment on translation of net overseas investments	–	–	(24,256)	–	–	(24,256)
Profit for the period	–	–	–	–	163,935	163,935
Dividends paid	–	–	–	–	(58,491)	(58,491)
Balance at 30th June 2004	3,183,578	2,952,675	80,918	404,190	7,005,376	13,626,737

Interim Dividend

The Board declares payment of an interim dividend of HK3.5 cents per share for the year ending 31st December 2004 (2003: HK3 cents) to those Shareholders whose names appear on the Register of Members of the Company on 21st October 2004. Dividend warrants are expected to be despatched to Shareholders on or about 28th October 2004.

Closure of Transfer Books

The Register of Members of the Company will be closed from Friday, 15th October 2004 to Thursday, 21st October 2004, 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, 14th October 2004.

Management Discussion and Analysis

Operations Review

1. Rental Properties

Hong Kong Rental Properties

(a) Rental Income

	Gross Rental Income (HK\$ million)	
	Jan-Jun 2004	Jan-Jun 2003
Citibank Plaza	186.1	235.1
Great Eagle Centre	26.7	30.7
Concordia Plaza	1.9	2.4
Convention Plaza Apartments	1.3	1.6
Total	216.0	269.8

(b) Occupancy and Rental Trend

	Occupancy at 30th June 2004		
	Office	Commercial	Residential
Citibank Plaza	83.3%	100%	–
Great Eagle Centre	97.5%	100%	–
Concordia Plaza	88.2%	–	–
Convention Plaza Apartments	–	–	100%

Conditions in the Grade-A office market in Hong Kong improved considerably in the first 6 months of 2004 in line with general economic recovery. Demand for office space from trading and manufacturing related companies increased on the back of strong economic activities in China. A number of major corporations and financial institutions also took advantage of the exceptionally low rent rates early in the year to relocate and upgrade. As a result overall vacancy rates have progressively decreased during the first half. As landlords started scaling back incentives offered to tenants, effective rent rates have also firmed up noticeably.

At Citibank Plaza, vacancy rate hit a high of 26% after a former major tenant, which occupied 12.8% of the building, moved out at the end of January 2004. We have subsequently relet a substantial portion of the vacated space to two major financial institutions. As a result the vacancy rate has been successfully brought down to 16.7% at 30th June 2004 from that of 19.4% at year end 2003. The vacancy at Great Eagle Centre on the other hand has remained at a low level throughout the first half, ending with 2.5% at 30th June 2004, due to solid demand from the trading and service sectors.

Rental income from the Hong Kong rental properties for the first 6 months of 2004 decreased by 19.9% to HK\$216 million from that of HK\$269.8 million for the prior year period. That was mainly the result of the high vacancy rate at Citibank Plaza for several months in the first half as well as lower rent rates achieved on reversion of tenancies.

U.S. Commercial Properties
Occupancy and Rental Income

	Occupancy at 30th June 2004	Gross Rental Income (HK\$ million)	
		Jan-Jun 2004	Jan-Jun 2003
Pacific Ygnacio Plaza	94%	13.6	12.6
353 Sacramento Street	92%	37.4	36.3
150 Spear Street	89%	40.2	43.3
888 West Sixth Street	100%	11.8	11.8
	Total	103.0	104.0

The contribution of the U.S. portfolio for the first half of 2004 was almost unchanged from that for the same period in 2003. Overall occupancy increased from 86% to 92%. Net revenues increase over the same period in spite of the cost of tenant incentives incurred associated with the increased occupancy. In April 2004, the US\$51.5 million loan on 353 Sacramento Street was refinanced at a substantially lower interest rate. In June the building at 888 West Sixth Street in Los Angeles went under contract to be sold in the latter part of 2004. Should the sale be completed, a profit will be realized. The combination of overall increased occupancy, reduced debt cost, and the potential sale of the Los Angeles property should result in a substantial increase in the contribution of the U.S. properties for 2004.

2. Hotels and Furnished Apartments

The overall performance of the Group's hotels division in the first half of 2004 was satisfactory. The hotels in Hong Kong and Toronto in particular have recovered strongly from the effects of SARS and the Iraq War in the first half of 2003. Total net operating income of the division increased by 29.1% to HK\$168 million in the first 6 months of 2004 from a low base of HK\$130.1 million for the same period in 2003.

The Group has continued its initiative to build the Langham as an international brand of luxury hotels. Following the re-branding of the Hong Kong hotel in 2003, and then the London and Boston properties in the first half of 2004, the Sheraton's in Melbourne and Auckland will also be re-named Langham's at the beginning of 2005.

Hong Kong Operations

Langham Hotel Hong Kong

The Hotel's performance in the 6 months ended 30th June 2004 was marked by a rapid recovery from last year's unprecedented challenges and a profound change in the profile of visitors. The leisure segment has continued to lag behind previous years as travellers from Japan and Taiwan have yet to return in significant numbers after SARS in 2003. However this has been compensated by the return of corporate travellers as world economies continue to recover.

For the first half of 2004, the Hotel achieved an average occupancy of 77% and an average room rate of HK\$924 as compared to 44% and HK\$831 for 2003.

Eaton Hotel, Hong Kong

Eaton Hotel has done well to reposition its rooms and Food & Beverage outlets. The Hotel has been successful in marketing to the higher yielding business segment, especially in the European market. As a result, there was an improvement in the average room rate for the first 6 months of 2004, outperforming its competitors. With additional conference and banqueting venues, higher Food & Beverage revenue was also achieved.

For the first half of 2004, the Hotel achieved an average occupancy of 83% and average room rate of HK\$522 as compared to 45% and HK\$454 for the same period in 2003.

Eaton House Furnished Apartments, Hong Kong

Eaton House recorded an average occupancy of 75% in the first half of 2004 as compared to 74% for the same period in 2003. We expect the improved economy and the upward trend of office occupancy to improve the demand for the furnished apartments.

International Operations

Langham Hotel London

The Hotel was re-branded as "Langham Hotel London" in May 2004 and was admitted as a member of "The Leading Hotels of the World". To support the re-branding, promotional activities have been launched to increase exposure.

For the first half of 2004, the Hotel achieved an average occupancy of 67% and an average room rate of £149 as compared to 61% and £142 same period 2003. Net operating income however showed a decline because of expenses associated with the re-branding exercise and upgrading of services to Langham standards.

Langham Hotel Boston

The Hotel was re-branded as "Langham Hotel Boston" and joined "The Leading Hotels of the World" with effect from 1st January 2004.

As the Boston lodging market continued to improve over last year, the Hotel showed an aggressive 8% growth in average rate but recorded a decline in occupancy mainly due to shortfalls in leisure and weekend business.

For the first half of 2004, the Hotel achieved an average occupancy of 66% and an average room rate of US\$187 as compared to 68% and US\$173 respectively for the same period in 2003. Due to charges related to the re-branding and upgrading of services to Langham standards, net operating income of the Hotel in the first half of 2004 decreased as compared to that of 2003.

Sheraton Towers Southgate Hotel, Melbourne

Although the Hotel maintained its occupancy at 71% in the first half of 2004, the average room rate was reduced due to greater competition following a recent increase in room supply as well as increased sales to lower yielding markets.

For the first half of 2004, the Hotel achieved an average occupancy of 71% and an average room rate of A\$207 as compared to 71% and A\$216 respectively for the same period in 2003.

The Group will take over direct management of this Hotel when the current management contract expires at the end of 2004 and will operate the Hotel as "Langham Hotel Melbourne". A marketing and communications plan aimed at repositioning the Hotel under the new brand is well underway.

Sheraton Auckland Hotel and Towers, Auckland

There has been a strong pick up in corporate and aircrew business and small and one-off meetings in the first half of 2004 but at the expense of average room rate.

For the first half of 2004, the Hotel achieved an average occupancy of 78% and average room rate of NZ\$136 as compared to 67% and NZ\$153 respectively for the same period in 2003.

The Group will take over direct management of the Hotel as from 1st January 2005 and will operate it as "Langham Hotel Auckland".

Delta Chelsea Hotel, Toronto

The Toronto hotel market has returned to normal in the first half of 2004 after the devastation of SARS. There has been strong improvement in both occupancy and average room rate.

For the first half of 2004, the Hotel achieved an average occupancy of 68% and average room rate of C\$124 as compared to 57% and C\$119 respectively for the same period in 2003.

3. Properties Under Development

Langham Place – Mongkok

By early July 2004, we have obtained occupation permits for the key components of the 1.8 million sq. ft. Langham Place, namely the hotel, the office tower, and the shopping mall.

The 5-star Langham Place Hotel soft opened on 31st July 2004, with about 200 guestrooms ready to receive guests. Three of the food and beverage outlets have also opened for business. The initial market response has been highly encouraging. Fitting out of the remaining parts of the hotel will be completed in stages before the end of the year.

The fitting out of the 15-storey shopping mall is proceeding at full speed, with the aim to having it opened for business in early November 2004. The prime location and unique architectural design of the mall have been well received by retailers, resulting in close to 90% of the floor area having been pre-leased at the end of August. Rent rates achieved in most cases are also better than our original expectations.

The basic fitting out of the 59-storey Grade-A office tower is nearing completion. The leasing of this tallest office building in Kowloon commenced in August 2004.

The total expenditure incurred in relation to the project, including interest capitalised, amounted to HK\$10,310 million as of 30th June 2004. Out of the HK\$5,100 million term loan arranged to finance the project, HK\$1,060 million was available for drawing as at 30th June 2004.

4. Trading

The construction materials division performed much better in the first half of 2004 on the back of a more robust economy. Gross revenue (excluding intra-group transactions) for the first 6 months amounted to HK\$50.4 million, a 45.7% increase over that of HK\$34.6 million for the corresponding period in 2003.

5. Property Management

Total fees received from property management activities in the first half of 2004 amounted to HK\$8.1 million, a drop of 8% as compared to that of the same period in 2003. The market rate for property manager's remuneration has continued its downward trend as competition remained intense. The number of properties managed has remained unchanged during the period.

The operating environment for our engineering division remained challenging as there was not enough momentum in office leasing activities to generate a higher volume of renovation and fitting out works. The majority of the revenue of the division during the first half came from service contracts and medium size works. The division's revenue for the first 6 months amounted to HK\$10.7 million, a drop of 10.8% from that for 2003.

We are in the process of taking over the management of the office and retail portions of Langham Place complex in the second half of 2004. This new major assignment should generate significant incremental income for our property management and engineering divisions.

Financial Review

1. Debt

Consolidated Net Attributable Debt outstanding (net of cash balances and debt attributable to minority interests) as of 30th June 2004 was HK\$14,332 million, an increase of HK\$573 million from HK\$13,759 million as of 31st December 2003. The increase was largely the result of 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 2003 and other assets at cost, amounted to HK\$13,922 million as of 30th June 2004. The resulting gearing ratio at 30th June 2004 was 103%. That would translate into a loan to value ratio of 51%. At the bottom of the current valuation cycle, such a borrowing ratio is certainly not aggressive.

As at 30th June 2004, we had outstanding interest rate swap contracts with total notional principal of HK\$2,420 million, representing approximately 21.3% of our HK\$-denominated debts.

Our foreign currency debts amounted to the equivalent of HK\$4,005 million as of 30th June 2004. Of these, HK\$1,104 million, or 27.6% of our foreign currency debts, were on fixed-rate basis. As at 30th June 2004, we had outstanding interest rate swap contracts with total notional principal of £20 million, representing approximately 7% of our foreign currency debts.

2. Finance Cost

Due to lower interest rates, the net finance cost of HK\$154.0 million incurred in the first half of 2004 was slightly less than that of HK\$158.5 million for the prior year period. During the first 6 months of 2004, HK\$88 million of finance cost was capitalised, as compared with HK\$97.9 million in the first half of 2003.

Interest cover for the first half of 2004 was 1.76 times, as compared with 1.69 times for the prior year period.

3. Liquidity and Debt Maturity Profile

As of 30th June 2004, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK\$2,277 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 2004.

Within 1 year	7.20%
1 – 2 years	14.62%
3 – 5 years	66.69%
More than 5 years	11.49%

4. Pledge of assets

At 30th June 2004, the Group's properties with a total carrying value of approximately HK\$30,775 million (31st December 2003: HK\$30,092 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\$3.6 million (31st December 2003: HK\$3.6 million) were mortgaged or pledged to secure credit facilities granted to the Group.

5. Commitments and Contingent Liabilities

The Group

At 30th June 2004, 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\$1,099 million (31st December 2003: HK\$1,407 million) of which approximately HK\$722 million (31st December 2003: HK\$1,094 million) were contracted for; and

(b) authorised capital expenditure amounting to approximately HK\$27 million (31st December 2003: HK\$31 million) of which approximately HK\$11 million (31st December 2003: HK\$9 million) were contracted for.

The Company

At 30th June 2004, the Company had issued corporate guarantees to certain banks in respect of credit facilities drawn by its subsidiaries amounting to approximately HK\$12,218 million (31st December 2003: HK\$11,625 million).

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 30th June 2004.

Outlook

The property market in Hong Kong has clearly bottomed out in the first half of 2004. Office leasing activities have been on the rise and along with that effective rent rates have also been increasing. In the past 12 months, we have consciously refrained from participating in the cut-throat competition for tenants where long lease terms of up to 10 years at historical low initial rent rates and very tight caps on reversion, were offered. We believe that the vacancy for prime office properties will drop significantly over the next 3 years as the volume of new supply will dwindle, especially in the Central business district. Even though our income would suffer in the near term, we have put ourselves in a good position to benefit from a rebound in the leasing market in the second half of 2004.

The overall performance of our hotels in 2004 should show a meaningful improvement over that in 2003. The unabated growth in tourist arrivals for Hong Kong should give sound support to both room rates and occupancy at our two Hong Kong hotels. The 665 room Langham Place Hotel, which will be fully completed towards the latter part of the year, should further boost the performance of our hotel portfolio in 2005.

The mammoth Langham Place is getting ready to make significant contributions to our performance. With the outstanding results we have achieved on its pre-letting, the shopping centre will become a major source of incremental recurring income for our Group in 2005. We have just started the pre-leasing the office tower. Given its convenient MTR location, its fantastic views and high technical specifications, we expect it to be well received by the market.

Staff

The total number of employees in the Group was 2,933 as of 30th June 2004. Salary levels of employees are competitive and discretionary bonuses are granted based on performance of the Group as well as performance of individual employees. Other employee benefits include educational allowance, insurance, medical scheme and provident fund schemes. Senior employees (including executive directors) are entitled to participate in the Great Eagle Holdings Limited Share Option Scheme. In order to enhance employee relations and communications, certain recreation activities and regular meetings of general staff with senior management were arranged for this year.

Directors' Interests

As at 30th June 2004, the interests of the Directors and their associates in the shares and underlying shares of the Company and its associated corporations as recorded in the register required to be kept under Section 352 of Part XV of the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong ("SFO") were as follows:

The Company

Name of Director	Number of shares (Long Positions)					Total	Percentage of issued share capital	*Outstanding share options
	Personal interests	Family interests	Corporate interests	Other interests				
LO Ying Shek	3,460,544	–	1,783,071 Note (7)	–	–	5,243,615	0.89	810,000
LO Ka Shui	6,342,642	–	6,706,268 Note (8)	309,901,695 Note (1)	–	322,950,605	54.77	810,000
LO Kai Shui	121,260	–	40,516,582 Note (9)	309,901,695 Note (1)	–	350,539,537	59.45	810,000
CHENG Hoi Chuen, Vincent	–	10,000	–	–	–	10,000	–	–
LO Hong Sui, Antony	2,871	–	–	–	–	2,871	–	–
LAW Wai Duen	238,402	–	–	309,901,695 Note (1)	–	310,140,097	52.60	–
LO Hong Sui, Vincent	288	–	–	–	–	288	–	–
LO Ying Sui, Archie	3,855,046	3,700	–	309,901,695 Note (1)	–	313,760,441	53.22	–
KAN Tak Kwong	343,068	–	–	–	–	343,068	0.06	490,000

* 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 or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests

As at 30th June 2004, 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
Shui Sing Holdings Limited	258,362,941	43.82	(2)
Shui Sing (BVI) Limited	258,362,941	43.82	(2)
Galtee Investment Limited	96,096,874	16.30	(3)
Shui Sing Company, Limited	82,525,166	13.997	(3)
Egerton Holdings Limited	46,849,906	7.95	(3)
Hartwick Holdings Limited	39,838,006	6.76	(4)
Good Target Limited	39,838,006	6.76	(4)
Springtime Int'l Limited	39,838,006	6.76	(4)
Full Harvest Holdings Limited	39,838,006	6.76	(4)
Gainsland Investments Limited	37,782,810	6.41	(4)
HSBC International Trustee Limited	310,043,660	53.05	(5)
Morgan Stanley	36,426,613	6.23	(6)

Notes:

- (1) The 309,901,695 shares of Dr. LO Ka Shui, Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie were the same parcel of shares.
- (2) These 258,362,941 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 96,096,874 shares held by Galtee Investment Limited, the 82,525,166 shares held by Shui Sing Company, Limited and the 46,849,906 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 39,838,006 shares held by Hartwick Holdings Limited, Good Target Limited, Springtime Int'l Limited and Full Harvest Holdings Limited were the same parcel of shares. Hartwick Holdings Limited had entire interest in Good Target Limited which held approximately 37% interest in Springtime Int'l Limited. Springtime Int'l Limited held approximately 54% interest in Full Harvest Holdings Limited. All these companies were deemed to be interested in the 39,838,006 shares of which 37,782,810 shares and 2,055,196 shares were directly held by Gainsland Investments Limited and Key Dollar Properties Limited respectively. Both of Gainsland Investments Limited and Key Dollar Properties Limited were wholly-owned subsidiaries of Full Harvest Holdings Limited.
- (5) 309,901,695 shares of the 310,043,660 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 309,901,695 shares. The remaining shares were held by other trusts for which HKIT acted as trustee.
- (6) The 36,426,613 shares were held by Morgan Stanley in the capacity of investment manager.
- (7) The 1,783,071 shares were held by a company in which Mr. LO Ying Shek had entire interest.
- (8) The 6,706,268 shares were held by a company in which Dr. LO Ka Shui had entire interest.
- (9) The 40,516,582 shares held by Mr. LO Kai Shui as described in Note (1) included his deemed interest in the 39,838,006 shares described in Note (4) by virtue of his entire interest in Hartwick Holdings Limited and 678,576 shares held by another company in which Mr. LO Kai Shui also 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 or underlying shares of the Company (within the meaning of Part XV of the SFO).

Share Option Scheme

During the six months ended 30th June 2004, 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 12/03/2004	Outstanding options at 30/06/2004
		Outstanding options at 01/01/2004	Options granted	Options exercised	Options cancelled			
LO Ying Shek	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	
	2004	-	200,000	-	-	-	200,000	
			730,000	200,000	(120,000)	-	-	810,000
LO Ka Shui	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	
	2004	-	200,000	-	-	-	200,000	
			730,000	200,000	(120,000)	-	-	810,000
LO Kai Shui	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	
	2004	-	200,000	-	-	-	200,000	
			730,000	200,000	(120,000)	-	-	810,000
KAN Tak Kwong	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	
	2004	-	100,000	-	-	-	100,000	
			415,000	100,000	(25,000)	-	-	490,000
	Total:	2,605,000	700,000	(385,000)	-	-	2,920,000	

During the six months ended 30th June 2004, 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 30/06/2004
	Outstanding options at 01/01/2004	Options granted	Options exercised	Options cancelled	Options lapsed on 12/03/2004	
1999	494,000	-	(484,000)	-	(10,000)	-
2000	711,000	-	(35,000)	(6,000)	-	670,000
2001	1,065,000	-	(6,000)	(6,000)	-	1,053,000
2002	964,000	-	(83,000)	(6,000)	-	875,000
2003	986,000	-	-	(10,000)	-	976,000
2004	-	1,210,000	-	(5,000)	-	1,205,000
	4,220,000	1,210,000	(608,000)	(33,000)	(10,000)	4,779,000

* Details of Options granted in each year

Year	Date of grant	Vesting period	Exercise period	Subscription price per share (HK\$)
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
2004	16/03/2004	16/03/2004 – 16/03/2009	17/03/2006 – 16/03/2009	13.550

Notes:

- (1) Options granted in the year of 1999 was granted under the previous Executive Share Option Scheme which expired on 16th March 1999. Options granted in the years of 2000 to 2004 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 15th March 2004, being the business date immediately before the date (16th March 2004) on which share options were granted, was HK\$13.50.
- (4) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$13.61.

- (5) The fair value of all the options granted under the relevant share option scheme in the current period, measured at the date of grant (16th March 2004), totalled approximately HK\$6,570,000. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Expected volatility	:	46.49% based on historical volatility
Expected dividend yield	:	0.96% based on historical dividends
Expected life	:	5 years from grant date
Risk free interest rate	:	2.52% being the approximate yield of 5-year Exchange Fund Note on the grant date

The Black-Scholes option pricing model was developed to estimate the fair value of traded options which do not have vesting restrictions and are fully transferable. This pricing model requires the input of highly subjective assumptions, including the volatility of the share price. As the Company's options are different from traded options and because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the model does not necessarily provide a reliable single measure of the fair value of the share options.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

Based on the closing price of the Company's share on the date of grant and the above assumptions, the computed fair value under the options granted during the period was approximately HK\$5.43 per option share.

- (6) The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the period. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Purchase, Sale or Redemption of Shares

During the six months ended 30th June 2004, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

Corporate Governance

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 2004 have been reviewed by the Audit Committee of the Company.

A Remuneration Committee was established by the Board of Directors on 8th March 2004 and comprises all the three Independent Non-executive Directors and the Deputy Chairman and Managing Director of the Company, with the principal functions of determining the policy for the remuneration of Executive Directors and approving the terms of Executive Directors' service contracts.

By Order of the Board

LO KA SHUI

Deputy Chairman and Managing Director

Hong Kong, 16th September 2004