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

AUDIT COMMITTEE
CHENG Hoi Chuen, Vincent, CHAIRMAN
WONG Yue Chim, Richard
LEE Pui Ling, Angelina

REMUNERATION COMMITTEE
LEE Pui Ling, Angelina, CHAIRMAN
CHENG Hoi Chuen, Vincent
WONG Yue Chim, Richard

NOMINATION COMMITTEE
WONG Yue Chim, Richard, CHAIRMAN
CHENG Hoi Chuen, Vincent
LEE Pui Ling, Angelina

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

SOLICITORS
Johnson, Stokes & Master
Clifford Chance

AUDITORS
Deloitte Touche Tohmatsu

SECRETARY
TSANG Yiu Wing, Peter

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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

審核委員會
鄭海泉 主席
王于漸
李王佩玲

薪酬委員會
李王佩玲 主席
鄭海泉
王于漸

提名委員會
王于漸 主席
鄭海泉
李王佩玲

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

律師
孖士打律師行
高偉紳律師行

核數師
德勤 • 關黃陳方會計師行

秘書
曾耀榮

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Interim Results Highlights

	Six Months Ended 30th June	
	2005 (unaudited) HK$m	2004 (unaudited and restated) HK$m
Total revenue	1,563	1,281
Profit of the Group for the period	2,267	117
Net profit attributable to shareholders	2,148	108

The Hong Kong Institute of Certified Public Accountants has issued a number of revised and new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations (collectively "new HKFRSs"), which are effective for accounting periods beginning on or after 1st January 2005. The Group has accordingly adopted these standards for the current financial year ending 31st December 2005.

The statements set out below are intended to show the major impacts of the new HKFRSs on the results and equity of the Group.

Further explanations and details of the new HKFRSs and their impacts are shown in Note (3) to the Interim Financial Statements and Section (6) of Financial Review under Management Discussion and Analysis.

RECONCILIATION OF PROFIT FOR THE PERIOD (BEFORE MINORITY INTERESTS)

	HK$m	HK$m
Profit for the period under new HKFRSs	2,267	117
Adjustments:		
Fair value changes on investment properties (less related provision for deferred tax)	(2,061)	–
Depreciation on hotel and owner-occupied properties and amortisation of leasehold land costs (less related decrease in provision for deferred tax)	84	55
Fair value changes on derivative financial instruments (less related provision for deferred tax)	(173)	–
Share-based payments	3	1
	(2,147)	56
Profit for the period before adoption of new HKFRSs(1)	120	173

ADJUSTMENT OF EQUITY (BEFORE MINORITY INTERESTS)

	HK$m	HK$m
Total equity (before minority interests) as at 30th June 2005 under new HKFRSs		17,860
Adjustments:		
Deferred tax on revaluation surplus of Hong Kong investment properties (2)	1,913	
Decrease in asset value due to re-classification of hotel and owner-occupied properties (less reversal of related provision for deferred tax) (3)	1,907	3,820
Total equity (before minority interests) as at 30th June 2005 after the aforesaid adjustments		21,680

Notes:

(1) Profit for the period before adoption of new HKFRSs was lower than that of the prior period mainly because of increase in interest expense.

Interest expense increased partly because of rise in interest rate and partly because finance cost for Langham Place could no longer be capitalised.

(2) Despite the provision of such deferred tax, it is considered that profit on the disposal of the Group's Hong Kong investment properties should not be taxable because there is currently no capital gains tax in Hong Kong.

(3) Should hotel and owner-occupied properties be stated at revaluation amount instead of depreciated cost, total equity of the Group would increase.

Interim Results

The Board of Directors of Great Eagle Holdings Limited ("the Company") announces the unaudited consolidated results of the Company and its subsidiaries ("the Group") for the six months ended 30th June 2005, with comparative figures in 2004, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six Months Ended 30th June	
	Notes	**2005 HK$'000 (unaudited)**	**2004 HK$'000 (unaudited and restated)**
Revenue	(4)	1,563,020	1,280,895
Cost of goods and services		(991,371)	(831,567)
Gross profit		571,649	449,328
Other operating income		12,982	10,960
Administrative expenses		(64,494)	(49,958)
Other operating expenses		(18,923)	(10,358)
Depreciation on hotel buildings		(72,338)	(50,603)
Amortisation on prepaid lease payments		(22,964)	(15,019)
Fair value changes on investment properties		2,500,169	–
Fair value changes on derivative financial instruments		207,986	–
Finance costs	(5)	(334,677)	(160,426)
Share of results of associates		4,402	2,433
Profit before taxation	(6)	2,783,792	176,357
Taxation	(7)	(517,183)	(59,779)
Profit for the period		2,266,609	116,578
Attributable to:			
Equity holders of the parent		2,147,734	107,919
Minority interests		118,875	8,659
		2,266,609	116,578
Distribution	(8)	20,800	20,637
Basic earnings per share	(9)	$3.64	$0.18
Diluted earnings per share	(9)	$3.63	$0.18

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30th June 2005 HK$'000 (unaudited)	As at 31st December 2004 HK$'000 (audited and restated)
Non-current assets			
Property, plant and equipment	(10)	7,245,690	7,179,517
Investment properties	(10)	27,022,747	24,793,003
Prepaid lease payments		1,910,491	1,885,497
Interests in associates		26,289	21,887
Available-for-sale investments		16,346	–
Other investments		–	15,274
Non-current loan receivables		259,918	257,860
Pledged bank deposits		3,628	3,604
		36,485,109	34,156,642
Current assets			
Inventories		57,972	83,371
Debtors, deposits and prepayments	(11)	352,659	314,182
Prepaid lease payments		45,928	44,771
Bank balances and cash		1,055,879	1,391,317
		1,512,438	1,833,641
Current liabilities			
Creditors, deposits and accruals	(12)	1,134,228	1,318,826
Provision for taxation		98,420	102,760
Derivative financial instruments	(13)	96,795	–
Borrowings due within one year	(14)	2,509,389	1,714,234
		3,838,832	3,135,820
Net current liabilities		(2,326,394)	(1,302,179)
Total assets less current liabilities		34,158,715	32,854,463
Non-current liabilities			
Borrowings due after one year	(14)	13,650,901	14,757,166
Deposits received		157,340	134,777
Deferred taxation		2,490,267	2,067,068
		16,298,508	16,959,011
		17,860,207	15,895,452
Equity			
Share capital	(15)	297,109	294,883
Share premium and reserves		16,586,598	14,742,944
Equity attributable to equity holders of the parent		16,883,707	15,037,827
Minority interests		976,500	857,625
Total equity		17,860,207	15,895,452

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent											
	Share Capital HK$'000	Share Premium HK$'000	Property Revaluation Reserve HK$'000	Investment Revaluation Reserve HK$'000	Capital Redemption Reserve HK$'000	Contributed Surplus HK$'000	Exchange Translation Reserve HK$'000	Share Options Reserve HK$'000	Retained Profits HK$'000	Total HK$'000	Minority Interests HK$'000	Total HK$'000
At 1st January 2004 as originally stated	292,153	3,137,043	2,942,485	7,113	1,650	402,540	105,174	–	6,899,932	13,788,090	481,560	14,269,650
Effects of changes in accounting policies	–	–	(2,942,485)	–	–	–	(66,573)	472	1,108,315	(1,900,271)	188,208	(1,712,063)
As restated	292,153	3,137,043	–	7,113	1,650	402,540	38,601	472	8,008,247	11,887,819	669,768	12,557,587
Deficit on revaluation of investments	–	–	–	(923)	–	–	–	–	–	(923)	–	(923)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(14,869)	–	–	(14,869)	–	(14,869)
Net income recognised directly in equity	–	–	–	(923)	–	–	(14,869)	–	–	(15,792)	–	(15,792)
Revaluation surplus released upon disposal	–	–	–	(2,406)	–	–	–	–	–	(2,406)	–	(2,406)
Profit for the period	–	–	–	–	–	–	–	–	107,919	107,919	8,659	116,578
Total recognised income and expense for the period	292,153	3,137,043	–	3,784	1,650	402,540	23,732	472	8,116,166	11,977,540	678,427	12,655,967
Dividend paid	–	–	–	–	–	–	–	–	(58,491)	(58,491)	–	(58,491)
Shares issued at premium	2,649	46,541	–	–	–	–	–	–	–	49,190	–	49,190
Share issue expenses	–	(6)	–	–	–	–	–	–	–	(6)	–	(6)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	1,094	–	1,094	–	1,094
At 30th June 2004	294,802	3,183,578	–	3,784	1,650	402,540	23,732	1,566	8,057,675	11,969,327	678,427	12,647,754
At 1st January 2005 as orginally stated	294,883	3,185,119	6,727,752	5,264	1,650	402,540	214,977	–	7,132,989	17,965,174	701,471	18,666,645
Effects of changes in accounting policies	–	–	(6,727,752)	–	–	–	(103,147)	3,471	3,650,160	(3,177,268)	156,154	(3,021,114)
As restated	294,883	3,185,119	–	5,264	1,650	402,540	111,830	3,471	10,783,149	14,787,906	857,625	15,645,531
Surplus on revaluation of investments	–	–	–	1,072	–	–	–	–	–	1,072	–	1,072
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(43,752)	–	–	(43,752)	–	(43,752)
Net income recognised directly in equity	–	–	–	1,072	–	–	(43,752)	–	–	(42,680)	–	(42,680)
Profit for the period	–	–	–	–	–	–	–	–	2,147,734	2,147,734	118,875	2,266,609
Total recognised income and expenses for the period	294,883	3,185,119	–	6,336	1,650	402,540	68,078	3,471	12,930,883	16,892,960	976,500	17,869,460
Dividend paid	–	–	–	–	–	–	–	–	(76,850)	(76,850)	–	(76,850)
Shares issued at premium	2,226	62,813	–	–	–	–	–	(442)	–	64,597	–	64,597
Share issue expenses	–	(21)	–	–	–	–	–	–	–	(21)	–	(21)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	3,021	–	3,021	–	3,021
At 30th June 2005	297,109	3,247,911	–	6,336	1,650	402,540	68,078	6,050	12,854,033	16,883,707	976,500	17,860,207

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six Months Ended 30th June	
	2005 HK$'000	2004 HK$'000
Cash generated from operations	499,223	353,595
Interest paid	(335,999)	(245,736)
Hong Kong Profits Tax paid	(27,326)	(22,897)
Tax paid in other jurisdiction	(10,079)	(15,586)
Tax refunded in other jurisdictions	1,783	–
Net cash from operating activities	127,602	69,376
Investing activities		
Interest received	8,791	6,451
Dividends received from listed investments	392	286
Dividends received from unlisted investments	–	292
Additions to investment properties	(74,286)	(25,266)
Purchase of property, plant and equipment	(176,028)	(629,988)
Advance to an associate	–	(4,912)
Advance to minority shareholders	(2,058)	(1,708)
Investments in an associate	–	(2,649)
Capital return from an other investment	–	3,897
Increase in pledged deposits	(24)	–
Proceeds from disposal of listed investment	–	5,983
Net cash used in investing activities	(243,213)	(647,614)
Financing activities		
Issue of shares	13,178	4,533
Share issue expenses	(21)	(6)
New bank and revolving loans	10,000	1,311,664
Repayments of bank loans	(205,112)	(749,220)
Dividends paid to shareholders	(25,431)	(13,834)
Net cash (used in) from financing activities	(207,386)	553,137
Decrease in cash and cash equivalents	(322,997)	(25,101)
Effect of foreign exchange rates changes	(7,864)	(9,537)
Cash and cash equivalents at 1st January	1,362,793	636,056
Cash and cash equivalents at 30th June	1,031,932	601,418
Analysis of cash and cash equivalents		
Bank balances and deposits	1,055,879	602,506
Bank overdrafts	(23,947)	(1,088)
	1,031,932	601,418

Notes:

(1) BASIS OF PREPARATION

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

(2) PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods, beginning on or after 1st January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January 2005. In relation to share options granted before 1st January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7th November 2002 and share options that were granted after 7th November 2002 and had vested before 1st January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November 2002 and had not yet vested on 1st January 2005. Comparative figures have been restated. (See Note 3 for the financial impact).

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39, "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of the current period financial statement. HKAS 39, which is effective for accounting periods beginning on or after 1st January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Debt and equity securities previously accounted for under the alternative treatment of Statement of Standard Accounting Practice ("SSAP") 24

Up until 31st December 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24. Under SSAP 24, investments in debt or equity securities are classified as "trading securities"', "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From 1st January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Investment in securities classified as "non-trading securities" under SSAP 24 had been reclassified as available for sale and accordingly, no adjustment is required. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities other than debt and equity securities

From 1st January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no material effect on financial assets and financial liabilities other than debt and equity securities.

Derivatives and hedging

By 31st December 2004, the Group's derivative financial instruments, mainly comprised interest rate and currency swaps and were used to manage the Group's exposure to interest rate fluctuation. The derivatives were previously recorded off balance sheet except for net interest settlement arising on the derivatives, which were previously accounted for on an accrual basis.

From 1st January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designed as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. All derivatives are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39, resulting in the recognition of fair value on derivatives as at 1st January 2005. (See Note 3 for the financial impact).

Hotel properties

Hong Kong Interpretation 2 "The Appropriate Accounting Policies for Hotel Properties" clarifies the accounting policy for owner-operated hotel properties. In previous periods, the Group's self-operated hotel properties were carried at revalued amounts and were not subject to depreciation. Hong Kong Interpretation 2 requires owner-operated properties to be classified as property, plant and equipment in accordance with HKAS 16 "Property, Plant and Equipment", and therefore be accounted for either using the cost model or the revaluation model. The Group has resolved to account for their hotel properties using the cost model. In the absence of any specific transitional provisions in Hong Kong Interpretation 2, the new accounting policy has been applied retrospectively. Comparative figures have been restated (See Note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold interest in land of the hotel properties were measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis and less accumulated impairment losses. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. This change in accounting policy has been applied retrospectively (See Note 3 for the financial impact).

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to the investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The new accounting policy has been applied retrospectively. Comparative figures have been restated. (See Note 3 for the financial impact).

The adoption of HKAS 40 has also resulted in a change of classification of certain properties which were previously classified as investment properties according to SSAP 13. In previous periods, property with 15% or less by area or value that was occupied by the Company or another company in the group would normally be regarded as an investment property in its entirely even though part of it is not held for investment purposes. According to HKAS 40, if a portion of the properties could be sold separately (or leased out separately under a finance lease), an entity accounts for the portions separately. If the portion could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. In the current period, the Group applied HKAS 40 and has reclassified certain such owner-occupied properties that could be sold separately (or leased out separately under a finance lease) from investment properties to property, plant and equipment and prepaid lease payment retrospectively. Comparative figures for 2004 have been restated. (See Note 3 for the financial impact).

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Interpretation 20). In the current period, the Group has applied HKAS Interpretation 21 ("INT-21") "Income Taxes - Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS INT-21, this change in accounting policy has been applied retrospectively. Comparative figures for 2004 have been restated. (See Note 3 for the financial impact).

(3) SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described in Note 2 above on the results for the current and prior period are as follows:

	Six Months Ended 30th June	
	2005 HK$'000	**2004 HK$'000**
Gains arising from fair value changes of investment properties	2,500,169	–
Increase in deferred tax liabilities in relation to fair value gains of investment properties	(438,679)	–
Increase in depreciation arising from reclassification of hotel properties and owner-occupied properties to property, plant and equipment	(73,245)	(50,767)
Decrease in deferred tax liabilities arising from reclassification of hotel properties and owner-occupied properties to property, plant and equipment	11,758	10,864
Increase in amortisation arising from prepaid lease payments	(22,964)	(15,019)
Expenses in relation to share options granted to the directors and employees	(3,021)	(1,094)
Gains arising from fair value changes of derivative financial instruments	207,986	–
Increase in deferred tax liabilities in relation to fair value gains of derivative financial instruments	(35,419)	–
Increase (decrease) in profit for the period	2,146,585	(56,016)
Attributable to:		
Equity holders of the parent	2,035,470	(56,016)
Minority interests	111,115	–
	2,146,585	(56,016)

Analysis of increase (decrease) in profit for the period by line items presented according to their function:

	Six Months Ended 30th June	
	2005 HK$'000	**2004 HK$'000**
Increase in fair value changes on investment properties	2,500,169	–
(Increase) decrease in deferred tax liabilities	(462,340)	10,864
Increase in depreciation for hotel buildings	(72,338)	(50,603)
Increase in other operating expenses	(907)	(164)
Increase in administrative expenses	(3,021)	(1,094)
Increase in amortisation on prepaid lease payments	(22,964)	(15,019)
Increase in fair value changes on derivative financial instruments	207,986	–
	2,146,585	(56,016)

The cumulative effect of the application of the new HKFRSs on the balance sheet as at 31st December 2004 and 1st January 2005 are summarised below:

	As at 31st December 2004 (originally stated) HK$'000	Adjustments HK$'000	As at 31st December 2004 (restated) HK$'000	Adjustments HK$'000	As at 1st January 2005 (restated) HK$'000
Fixed assets	36,202,646	(36,202,646)	–	–	–
Property, plant and equipment	–	7,179,517	7,179,517	–	7,179,517
Investment properties	–	24,793,003	24,793,003	–	24,793,003
Available-for-sale investments	–	–	–	15,274	15,274
Other investments	15,274	–	15,274	(15,274)	–
Non-current loan receivables	–	257,860	257,860	–	257,860
Prepaid lease payments	–	1,930,268	1,930,268	–	1,930,268
Derivative financial instruments	–	–	–	(304,781)	(304,781)
Deferred tax liabilities	(1,337,873)	(729,195)	(2,067,068)	54,860	(2,012,208)
Other asset/liabilities	(16,213,402)	–	(16,213,402)	–	(16,213,402)
	18,666,645	(2,771,193)	15,895,452	(249,921)	15,645,531
Share capital	294,883	–	294,883	–	294,883
Share premium	3,185,119	–	3,185,119	–	3,185,119
Retained profits	7,132,989	3,900,081	11,033,070	(249,921)	10,783,149
Property revaluation reserve	6,727,752	(6,727,752)	–	–	–
Investment revaluation reserve	5,264	–	5,264	–	5,264
Exchange translation reserve	214,977	(103,147)	111,830	–	111,830
Share options reserve	–	3,471	3,471	–	3,471
Other reserves	404,190	–	404,190	–	404,190
Equity attributable to equity holders of the parent	17,965,174	(2,927,347)	15,037,827	(249,921)	14,787,906
Minority interests	701,471	156,154	857,625	–	857,625
Total equity	18,666,645	(2,771,193)	15,895,452	(249,921)	15,645,531

(4) **BUSINESS SEGMENTS**

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

Property leasing – rental income from leasing of properties and furnished apartments.
Hotel operation – income from hotels 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 fitness centre operation.

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

Segment information about these businesses is presented below:

Six Months Ended 30th June 2005

	Property leasing HK$'000	Hotel operation HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	455,525	1,032,765	74,730	–	1,563,020
Inter-segment sales	12,330	–	11,105	(23,435)	–
Total revenue	467,855	1,032,765	85,835	(23,435)	1,563,020
Inter-segment sales are charged at a mutually agreed price.					
RESULT					
Segment results	330,084	205,769	12,856		548,709
Unallocated corporate expenses					(47,495)
Depreciation on hotel buildings	–	(72,338)	–		(72,338)
Amortisation on prepaid lease payments	(661)	(22,303)	–		(22,964)
Fair value changes on investment properties	2,500,169	–	–		2,500,169
Fair value changes on derivative financial instruments					207,986
Finance costs					(334,677)
Share of results of associates	–	–	4,402		4,402
Profit before taxation					2,783,792
Taxation					(517,183)
Profit for the period					2,266,609

Six Months Ended 30th June 2004

	Property leasing HK$'000 (restated)	Hotel operation HK$'000 (restated)	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000 (restated)
REVENUE					
External sales	331,824	852,825	96,246	–	1,280,895
Inter-segment sales	15,503	–	8,318	(23,821)	–
Total revenue	347,327	852,825	104,564	(23,821)	1,280,895
Inter-segment sales are charged at a mutually agreed price.					
RESULT					
Segment results	259,036	160,120	16,985		436,141
Unallocated corporate expenses					(36,169)
Depreciation on hotel buildings	–	(50,603)	–		(50,603)
Amortisation on prepaid lease payments	(83)	(14,936)	–		(15,019)
Finance costs					(160,426)
Share of results of associates	–	–	2,433		2,433
Profit before taxation					176,357
Taxation					(59,779)
Profit for the period					116,578

(5) **FINANCE COSTS**

	Six Months Ended 30th June 2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited)
Interest on bank borrowings not wholly repayable within five years	2,485	685
Interest on bank borrowings wholly repayable within five years	283,811	191,817
Interest on other loans not wholly repayable within five years	9,854	12,314
Interest on other loans wholly repayable within five years	37,204	35,786
Other borrowing costs	1,323	7,809
Total borrowing costs	334,677	248,411
Less: Amount capitalised to property under development	–	(87,985)
	334,677	160,426

(6) PROFIT BEFORE TAXATION

	Six Months Ended 30th June	
	2005 HK$'000 (unaudited)	**2004 HK$'000 (unaudited and restated)**
Profit before taxation has been arrived at after charging:		
Depreciation on other property, plant and equipment	13,190	2,637
Fitting out works of investment and hotel properties written off	15,505	9,054
Staff costs, including directors' emoluments	435,858	358,894
and after crediting:		
Interest income	9,497	6,446
Dividend income	392	578
Net exchange gain	116	285

(7) TAXATION

	Six Months Ended 30th June	
	2005 HK$'000 (unaudited)	**2004 HK$'000 (unaudited and restated)**
Current taxation:		
Current year:		
Hong Kong Profits Tax	19,326	27,559
Other jurisdictions	9,933	13,547
	29,259	41,106
Underprovision in prior years:		
Hong Kong Profits Tax	35	236
Other jurisdictions	1,996	4
	2,031	240
Deferred taxation:		
Current year	485,893	18,433
Taxation attributable to the Company and its subsidiaries	517,183	59,779

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

(8) DISTRIBUTION

On 16th June 2005, a dividend of HK13 cents per share (2004: HK10 cents per share) was paid to shareholders as the final dividend for 2004.

The directors have determined that an interim dividend of HK3.5 cents per share (2004: HK3.5 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 13th October 2005.

During the period, 2,992,910 shares of HK$0.50 each in the Company were issued at HK$17.18 per share as scrip dividend.

(9) EARNINGS PER SHARE

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

	Six Months Ended 30th June	
	2005 HK$'000 (unaudited)	2004 HK$'000 (unaudited and restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity holders of the parent)	2,147,734	107,919

	Six Months Ended 30th June	
	2005	2004
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	590,567,329	585,057,226
Effect of dilutive potential shares:		
Share options	1,427,749	1,237,725
Weighted average number of shares for the purpose of diluted earnings per share	591,995,078	586,294,951

The computation of diluted earnings per share in 2004 did not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options were higher than the average market prices of the Company's shares.

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

During the period, the Group's investment properties with a carrying value of approximately HK$154,457,000 was transferred to property, plant and equipment and additions to the Group's property, plant and equipment amounted to approximately HK$86,619,000.

The Group's investment properties were revalued at 30th June 2005 on an open market value basis by independent professional property valuers, as follows:

Investment properties in Hong Kong – Chesterton Petty Ltd.
Investment properties in the USA – Cushman & Wakefield of California, Inc.

(11) 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 2005 HK$'000 (unaudited)	31st December 2004 HK$'000 (audited)
0 – 3 months	116,701	147,643
3 – 6 months	37,127	6,385
Over 6 months	13,955	7,013
	167,783	161,041

(12) TRADE CREDITORS

The aged analysis of trade creditors is as follows:

	30th June 2005 HK$'000 (unaudited)	31st December 2004 HK$'000 (audited)
0 – 3 months	129,673	157,165
3 – 6 months	1,795	4,024
Over 6 months	1,299	2,327
	132,767	163,516

(13) DERIVATIVE FINANCIAL INSTRUMENTS

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

(14) BORROWINGS

	30th June 2005 HK$'000 (unaudited)	31st December 2004 HK$'000 (audited)
Bank overdrafts (unsecured)	23,947	28,524
Bank loans and revolving loans (secured)	14,552,257	14,847,061
Bills payable	–	1,043
Other non-current loans (secured)	1,584,086	1,594,772
	16,160,290	16,471,400
The maturity of the above loans and overdrafts is as follows:		
On demand or within one year	2,509,389	1,714,234
More than one year but not exceeding two years	1,470,066	1,357,695
More than two years but not exceeding five years	11,565,060	12,760,471
More than five years	615,775	639,000
	16,160,290	16,471,400
Less: Amounts due within one year shown under current liabilities	(2,509,389)	(1,714,234)
Amounts due after one year	13,650,901	14,757,166

(15) SHARE CAPITAL

(a) Authorised:

	30th June 2005 (unaudited)		31st December 2004 (audited)	
	Number of shares '000	Nominal value HK$'000	Number of shares '000	Nominal Value HK$'000
Shares of HK$0.5 each				
Balance brought forward and carried forward	800,000	400,000	800,000	400,000

(b) **Issued and fully paid:**

	30th June 2005 (unaudited)		31st December 2004 (audited)	
	Number of shares '000	**Nominal value HK$'000**	**Number of shares '000**	**Nominal value HK$'000**
Shares of HK$0.5 each				
Balance brought forward	589,765	294,883	584,305	292,153
Issued upon exercise of share options under the Share Option Scheme	1,460	730	769	385
Issued as scrip dividends	2,993	1,496	4,691	2,345
Balance carried forward	594,218	297,109	589,765	294,883

(16) SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group disposed of one floor at Langham Place Office Tower with a total consideration of HK$174.55 million to a third party.

Independent Review Report

Deloitte.
德勤

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

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 3 to 17.

DIRECTORS' RESPONSIBILITIES

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

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

REVIEW WORK PERFORMED

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

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June 2005.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity for the six months ended 30th June 2004 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

DELOITTE TOUCHE TOHMATSU
Certified Public Accountants

Hong Kong, 7th September 2005

Interim Dividend

The Board declares payment of an interim dividend of HK3.5 cents per share for the year ending 31st December 2005 (2004: HK3.5 cents per share) to those Shareholders whose names appear on the Register of Members of the Company on 13th October 2005. Dividend warrants are expected to be despatched to Shareholders on or about 20th October 2005.

Closure of Transfer Books

The Register of Members of the Company will be closed from Thursday, 6th October 2005 to Thursday, 13th October 2005, 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 Wednesday, 5th October 2005.

Management Discussion and Analysis

OPERATIONS REVIEW

1. Rental Properties

HONG KONG RENTAL PROPERTIES

(a) Rental Income

	Gross Rental Income (HK$ million)	
	Jan-Jun 2005	**Jan-Jun 2004**
Citibank Plaza	146.6	186.1
Great Eagle Centre	26.8	26.7
Langham Place		
Office	9.6	–
Commercial	165.6	–
Convention Plaza Apartments	1.5	1.3
Concordia Plaza	–	1.9
Eaton House	17.5	12.3
Total	367.6	228.3

(b) Occupancy and Rental Trend

	Occupancy at 30th June 2005		
	Office	**Commercial**	**Residential**
Citibank Plaza	88.7%	100.0%	–
Great Eagle Centre	97.7%	100.0%	–
Langham Place	35.1%	99.5%	–
Convention Plaza Apartments	–	–	90.2%
Eaton House	–	–	86.0%

As expected, the Grade-A office leasing market in Hong Kong has gone from strength to strength in the first half of 2005. The strong demand from financial institutions as well as the trading and manufacturing sectors had absorbed much of the overhanging vacancy that existed in the second half of 2004. With occupancy well assured, landlords began to substantially cut back on rental concessions previously offered to tenants. As a result net effective rent rates moved sharply higher in the first six months of 2005.

Occupancy at Citibank Plaza offices improved from 80.9% at year-end 2004 to 88.7% at 30th June 2005, as a result of increased demand from tenants in the financial services sector. New leasing to fund management establishments also played an important part in reducing the vacancy at the Building. Leasing activities have remained robust and we anticipate further improvement in the occupancy rate in the second half of 2005.

Occupancy at Great Eagle Centre has remained stable at around 98% throughout the first half of 2005. Rent rates achieved on renewal and turnover of tenancies have however moved substantially higher during the period, thanks to the limited availability of office space in the Wanchai and Causeway Bay districts.

By mid-year 2005, approximately 270,000 sq.ft. of Langham Place Office Tower have been let to tenants, both local and multi-national, mainly in the insurance, trading and other services sectors. Effective rent rates achieved have also progressively increased during the letting-up period, so much so that the rent rates for the most recently concluded leases are more than 80% higher than those for the first leases.

The Langham Place Mall was substantially leased up when it was first opened for business in November 2004. The occupancy has further increased to 99.5% at 30th June 2005 as the leases of some of the remaining shops were concluded. The volume of visitors to the Mall has stayed at highly satisfactory levels during the first half of 2005. Regular promotions and events will continue to be staged to sustain the popularity of the Mall.

Net rental income from the Hong Kong properties for the first half of 2005 increased 44.3% to HK$284.2 million from that of HK$197 million for the corresponding period in 2004, mainly due to a HK$114.7 million first-time contribution by Langham Place. The gross rental from Langham Place Mall and Office Tower for the first six months of 2005 amounted to HK$175.2 million against which were charged operating expenses of HK$60.5 million, including expenses associated with the initial advertising and promotion of the Mall, leasing commissions and vacancy costs related to the unoccupied portions of the Office Tower. The rental generated from the Mall should be stable for the rest of 2005 whereas the Office Tower should increase its contribution more floors are leased. The net rental income from Citibank Plaza of HK$131.0 million for the first six months of 2005 was in fact 22.9% lower than that of HK$170.0 million for the first half of 2004, as the effects of negative rental reversion on turnover of leases in 2004 were carried over into 2005. However, as the rent rates achieved on most of the leases concluded in the first half of 2005 were higher than the expired leases and with a higher average occupancy, there should be meaningful growth in the rental income of Citibank Plaza in the second half of 2005. Contribution from Great Eagle Centre increased from HK$22.8 million in the first half of 2004 to HK$25.7 million in 2005 mainly due to lower operating expenses in the latter period. With stable occupancy and higher achieved rent rates, rental income from Great Eagle Centre should continue to increase in the second half of 2005.

The Eaton House furnished apartments has been reclassified as Investment Properties in the 2005 financial year. These three properties achieved an average occupancy of 86% in the first half of 2005 as compared to 75% in 2004. Significant revenue improvement was fueled by overall positive sentiments in the local real estate market. Strong demand from the corporate market was also evident.

U.S. COMMERCIAL PROPERTIES

Occupancy and Rental Income

		Gross Rental Income (HK$ million)	
	Occupancy at 30th June 2005	**Jan-Jun 2005**	**Jan-Jun 2004**
Pacific Ygnacio Plaza	99%	14.7	13.6
353 Sacramento Street	97%	35.8	37.4
150 Spear Street	80%	36.4	40.2
888 West Sixth Street (sold in September 2004)	–	–	11.8
	Total	86.9	103.0

The California real estate market has bottomed out and is showing a modest increase in both activity and in rental rates. However, because rent rates are still well below historic levels, the leases at our Sacramento St. and Spear St. properties which expired in the first half of 2005 had to be renewed at lower rates. The sale of the Los Angeles property in September 2004 also caused a HK$11.8 million reduction in rental income. Overall the gross income from the U.S. commercial portfolio decreased by 15.6% to HK$86.9 million in the first half of 2005 as compared to HK$103 million for the prior-year period.

2. Hotels

The global travel industry continues to strengthen in 2005 benefiting the Group's hotels, particularly in Hong Kong and London. With the re-branding of Langham Hotel, Melbourne and Langham Hotel, Auckland in January 2005, all our five-star hotels are now branded under the "Langham" name and are all managed by the Group.

The initial impact of the name change has evidently subsided and business for Hong Kong and London has surpassed the levels of the prior year period. Langham Hotel, Melbourne and Langham Hotel, Auckland have also experienced the effect of re-branding as reflected in lower occupancy in the first half of 2005. However, from experience in other Langham hotels, we are expecting this trend to slowly reverse in the coming months.

The Langham brand continues to gain greater global recognition through the establishment of the Langham presence in major international cities. Through geographical diversification and development of new sales channels, Langham will further enhance its international luxury hotel status.

Total operating profit from the Group's hotels for the first half of 2005 amounted to HK$214.4 million, an increase of 32% over that of $162.1 million recorded in 2004.

HONG KONG OPERATIONS

Langham Hotel, Hong Kong

Business for the first six months was highly encouraging, with improved occupancy and significantly higher room rates, mainly due to a significant resurgence of the corporate segment making up 61% of total business. The hotel's banqueting and catering business was also ahead of last year by 9% resulting from improved local market sentiment.

For the half year 2005, the hotel achieved an average occupancy of 80% (2004: 77%) and average room rate of HK$1,149 (2004: HK$924).

Langham Place Hotel, Hong Kong

This hotel, which opened August 2004 as the first 5-star hotel in Mongkok, has evidently benefited from the synergy with the adjoining mall and office tower. It has now established itself as a key player in the Kowloon luxury hotel market. The first half of 2005 saw room revenue delivering positive results supported by strengthening room rates and sustainable occupancy. The Corporate and leisure segments both showed notable contributions, demonstrating international acceptance of the hotel.

For the half year 2005, the hotel achieved an average occupancy of 63% and average room rate of HK$875.

Eaton Hotel, Hong Kong

With the strategic focus on lifting room rates in both corporate and leisure segments, average room rate improved by 17% to HK$610 in the first half of 2005 as compared to HK$522 for 2004. Average occupancy was maintained at 82%, a level comparable to the 83% recorded in the first half of 2004. Market penetration in long haul markets was up 9% from last year, making up 40% of total guests. Food & Beverages also performed well with meeting and wedding revenues being major contributors.

INTERNATIONAL OPERATIONS

Langham Hotel, London

One year after the re-branding to Langham Hotel, London the revenue and occupancy gaps are closing with RevPAR increased to £109 (2004: £100). Focus is being placed in transforming the hotel into one of the leading high standard luxury hotels in London. In doing so, phased renovation has been planned to begin in August 2005 to give the hotel a substantial makeover.

For the first half of 2005, the hotel achieved an average occupancy of 73% (2004: 67%) and average room rate of £149 (2004: £149).

Langham Hotel, Boston

The Boston lodging market continued to experience steady growth in 2005. Overall performance of Langham Hotel, Boston remained stable for the first six months being largely sustained by increased average room rate of 6% over last year. This phenomenon is also shared by most of our competitors. The hotel's occupancy, however, had not fully recovered to pre re-branding levels.

For the half year 2005, the hotel achieved an average occupancy of 62% (2004: 66%) and average room rate of US$198 (2004: US$187).

Langham Hotel, Melbourne

The Group took over direct management and operation of Langham Hotel, Melbourne on 1st January 2005. Occupancy level has notably dropped since the re-branding, especially in the corporate market segment. We anticipate the re-branding effect will persist for a period of time resulting in lower revenue.

For the half year 2005, the hotel achieved an average occupancy of 62% (2004: 71%) and average room rate of A$212 (2004: A$207).

Langham Hotel, Auckland

After the Group took over direct management of the hotel on 1st January 2005 and re-branded it under as a Langham hotel, the market has been slow in receiving the new brand. Moreover, the city has also experienced a 3% point slide in occupancy in 2005 compared to the same period last year. As a result, the hotel's performances in both rooms and food & beverages have been adversely affected.

For the first half of 2005, the hotel achieved an average occupancy of 75% (2004: 78%) and an average room rate of NZ$132 (2004: NZ$136).

Delta Chelsea Hotel, Toronto

The Toronto market is currently facing marginal growth in average room rate and modest occupancy growth. The performance of this hotel is expected to remain stable throughout 2005.

For the first half of 2005, the hotel achieved an average occupancy of 71% (2004: 68%) and average room rate of C$122 (2004: C$124).

3. Trading

Keen competition in the building materials market continued to have an adverse effect on the performance of our trading business. The trading division seeks to broaden its building fitting out business in both Hong Kong and Macau. It has also taken up the distribution rights of the Samsung Staron® brand of acrylic countertop products and entered the electrical appliance distribution business.

4. Property Management

Property management income, which was mainly based on actual building expenditures, decreased slightly to HK$7.8 million from HK$8.1 million for the same period last year due to reduced spending under cost saving measures.

The income of engineering division for the first half of 2005 dropped to HK$10 million, a decrease of 6.5% as compared to that of the same period in 2004 due to the loss of a major service contract. Market competition for the engineering division remained keen. The majority of the income of the division during the period under review came from service contracts and building works. This division is seeking to expand its business by providing facilities management services for tenants of the Group's properties.

FINANCIAL REVIEW

1. Debt

Consolidated Net Attributable Debt outstanding (net of cash balances and debt attributable to minority interests) as of 30th June 2005 was HK$14,697 million, an increase of HK$34 million from HK$14,663 million as of 31st December 2004. The increase was largely the result of incremental capital expenditures at the Langham Place project.

Equity Attributable to Shareholders, based on professional valuation of the Group's investment properties (including the Office Tower and the Mall at Langham Place) as of 30th June 2005 and the depreciated costs of the Group's hotel properties, amounted to HK$16,884 million as of 30th June 2005. The resulting gearing ratio at 30th June 2005 was 87% which implies a loan to value ratio of 47%. The above gearing ratio was based on Equity Attributable to Shareholders which has been adjusted downwards for deferred tax on the revaluation surplus of Hong Kong investment properties and the decrease in asset value due to the booking of hotel and owner-occupied properties at their historical costs (less depreciation) as required by the new HKFRSs. Before these HKFRS related adjustments, the Group's gearing ratio at 30th June 2005 would be 72%.

As at 30th June 2005, we had outstanding interest rate swaps with total notional principal of HK$2,420 million, representing approximately 19.9% of our HK$-denominated debts. The rest of our HK$ debts were on floating-rate basis. The rise in interest rates in recent months will therefore have a material impact on the cost of financing of our Group.

Our foreign currency debts as of 30th June 2005 amounted to the equivalent of HK$3,982 million. These foreign currency borrowings are fully hedged by the value of the underlying properties. Of this, the equivalent of HK$1,655 million, or 41.6% of our foreign currency debts, was on fixed-rate basis as of 30th June 2005.

2. Finance Cost

The net finance cost of HK$325 million incurred in the first half of 2005, an increase of HK$171 million over the HK$154 million for the prior year period. The increase was partly caused by a rise in interest rate and partly because no finance cost had been capitalised during the period (2004: HK$88 million).

Interest cover for the first half of 2005 was 1.53 times, as compared with 1.76 times for the prior year period.

3. Liquidity and Debt Maturity Profile

As of 30th June 2005, our cash, bank deposits and committed but undrawn loan facilities amounted to a total of HK$1,658 million. The majority of our loan facilities is medium term in nature and is secured by properties with sufficient value to loan coverage. The following is a profile of the maturity of our outstanding debts as of 30th June 2005:

Within 1 year	15.52%
1 – 2 years	9.10%
3 – 5 years	71.57%
More than 5 years	3.81%

In August 2005, the Group has successfully refinanced the HK$5,000 million term loan for Langham Place, with reduced interest margins, extended maturity date (from December 2008 to October 2010) and more relaxed repayment schedule.

Out of the debts falling due within 1 year in the approximate aggregate amount of HK$2,509 million, arrangements are being made to refinance and extend the maturity dates of term loans in aggregate amount of approximately HK$1,110 million. Based on current discussions with the relevant lender, the Group is confident that it will be successful in obtaining the refinancing.

4. Pledge of assets

At 30th June 2005, properties of the Group with a total carrying value of approximately HK$36,100 million (31st December 2004: HK$33,805 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 2004: 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 2005, the Group had authorised capital expenditures not provided for in these financial statements amounting to approximately HK$20 million (31st December 2004: HK$34 million) of which approximately HK$9 million (31st December 2004: HK$19 million) were contracted for.

THE COMPANY

At 30th June 2005, the Company had issued corporate guarantees to certain banks in respect of credit facilities drawn by its subsidiaries amounting to approximately HK$13,262 million (31st December 2004: HK$13,446 million).

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 30th June 2005.

6. Adoption of New Accounting Standards

The Hong Kong Institute of Certified Public Accountants has issued a number of revised and new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations, which are effective for accounting periods beginning on or after 1st January 2005. The Group has accordingly adopted these standards for the current financial year ending 31st December 2005.

The adoption of these new accounting standards has a significant impact on the financial results of the Group in the first half of 2005. The adjustments made in relation to these new accounting standards in aggregate had the effect of increasing the Group's profit before minority interests by HK$2,146.6 million for the first half of 2005.

The principal effects of the adoption of the new accounting standards on the profit for the period (before minority interests) include the following:

(a) In prior financial periods, surpluses or deficits arising on the annual open-market revaluation of the Group's investment properties were dealt with in the investment properties revaluation reserves. Following the adoption of HKAS 40, the surpluses or deficits arising from the revaluation of the Group's investment properties are recognised in the consolidated income statement. As a result, the Group's profit for the period (before minority interests) increased by HK$2,500.2 million for the first half of 2005 which was partly offset by the related provision for deferred tax of HK$438.7 million.

(b) Under HKAS 16, depreciation has to be charged against the Group's hotel properties as well as owner-occupied properties. For the first half of 2005, such depreciation amounted to HK$73.2 million which was partly offset by a corresponding decrease in provision for deferred tax of HK$11.8 million.

    Furthermore, under HKAS 17, leasehold lands held from the Hong Kong Government are treated as operating assets unless they are qualified for treatment as investment properties. As such, leasehold land costs for the Group's three hotel properties in Hong Kong and owner-occupied properties are to be amortised over the relevant lease terms. In the first half of 2005, such charges to the Group's income statement amounted to HK$23.0 million.

(c) With the adoption of HKAS 39, changes in the fair value of derivative financial instruments and financial assets are recognised in the consolidated income statements. In the first half of 2005, such changes resulted in an increase in profit (before minority interests) of HK$208.0 million which was partly offset by the related provision for deferred tax of HK$35.4 million.

The adoption of the new accounting standards had also materially affected the Group's total equity (before minority interests) in the following aspects:

(i) Out of deferred taxation of HK$2,490 million, approximately HK$1,913 million was provided in respect of the revaluation surplus of the Group's Hong Kong investment properties. Notwithstanding this provision, it is considered that profit on the disposal of such properties should not be taxable as there is currently no capital gains tax in Hong Kong.

(ii) The Group's hotel and owner-occupied properties, which were previously recognised as investment properties, have been reclassified as property, plant and equipment. As such, they are carried at depreciated cost in the balance sheet. Should the hotel and owner-occupied properties be booked at revaluation amount, there would be a net increase of approximately HK$1,907 million in the Group's total equity (before minority interests) as at 30 June 2005.

OUTLOOK

The strong upward trend of the Hong Kong office leasing market should continue into the second half of 2005 in the absence of any meaningful new supply. There should be considerable room for rent rates to rise in this landlords' market. This should have a favourable impact on the performance of our office leasing portfolio in Hong Kong in the second half of the year.

Our hotels in Hong Kong should continue to perform well in the second half of the year. Business traveller arrivals are expected to be sustained at a healthy level. Further support will also come the anticipated influx of leisure tourists from China and the surrounding regions after the opening of Hong Kong Disneyland. The overall performance of our overseas hotels will continue to be affected by the re-branding of those hotels in the coming year. We are however confident that with their upgraded facilities and appropriate marketing and promotion, the Langham brand of luxury hotels will gain increasing recognition in the market place over time.

Interest rates in Hong Kong have been rising at a rather fast pace in the past six months. While the higher rental income from our investment properties will sufficiently cover the increased interest expense, this will have a material impact on the financial performance of our Group. We are therefore taking steps to reduce our financial gearing.

In line with our intention to strengthen the Group's balance sheet by reducing its financing gearing as we announced before, we have sold one high floor of the Langham Place Office Tower in July 2005 at a unit price which is the highest achieved for office properties in Kowloon since 1998. We have also decided to market another six floors. The sales campaign was launched in August 2005. Despite the less buoyant sentiments in the property investment market in recent weeks because of rising interest rates, the initial market response has been highly satisfactory. We expect the office investment market to regain its upward projectile once interest rates level off. It is our plan to sell these six floors at a measured pace into a strengthening market.

STAFF

The total number of employees in the Group was 3,758 as of 30th June 2005. 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 the year.

Directors' Interests

As at 30th June 2005, 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

	Number of shares (Long Positions)							
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of issued share capital	*Outstanding share options	Other derivative interests
LO Ying Shek	4,101,343	–	1,796,563 Note (9)	–	5,897,906	0.99	250,000	–
LO Ka Shui	6,521,619	–	25,993,974 Note (10)	233,557,789 Note (1)	266,073,382	44.78	980,000	5,500,000 Note (12)
LO Kai Shui	253,161	–	55,413,317 Note (11)	194,085,777 Note (1)	249,752,255	42.03	880,000	–
CHENG Hoi Chuen, Vincent	–	10,000	–	–	10,000	–	–	–
LO Hong Sui, Antony	2,892	–	–	–	2,892	–	50,000	–
LAW Wai Duen	238,402	–	–	194,085,777 Note (1)	194,324,179	32.70	50,000	–
LO Hong Sui, Vincent	289	–	–	–	289	–	–	–
LO Ying Sui, Archie	3,855,046	3,700	33,269,396 Note (6)	194,085,777 Note (1)	231,213,919	38.91	–	–
KAN Tak Kwong	396,042	–	–	–	396,042	0.07	560,000	–

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

Other than as disclosed above, none of the Directors or their associates had any interest or short position in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' Interests

As at 30th June 2005, the following Shareholders, not being Directors of the Company, were recorded in the register of interests and short positions in the shares or underlying shares kept under Section 336 of Part XV of the SFO as having an interest in 5% or more of the issued share capital of the Company:

Name of Shareholder	Number of shares (Long Positions)	Percentage of Issued share capital	Notes
KSL Management Limited	39,472,012	6.64	(2)
Surewit Finance Limited	39,472,012	6.64	(2)
Hartwick Holdings Limited	55,194,178	9.29	(3)
Good Target Limited	55,194,178	9.29	(3)
Springtime Int'l Limited	40,139,456	6.76	(4)
Full Harvest Holdings Limited	40,139,456	6.76	(4)
Gainsland Investments Limited	38,068,710	6.41	(5)
Adscan Holdings Limited	33,269,396	5.60	(6)
HSBC International Trustee Limited	243,818,489	41.03	(7)
Powermax Agents Limited	142,696,832	24.01	(8)

Notes:

(1) The 194,085,777 shares of Mr. LO Kai Shui, Madam LAW Wai Duen and Dr. LO Ying Sui, Archie and 194,085,777 shares of the 233,557,789 shares of Dr. LO Ka Shui were the same parcel of shares.

(2) KSL Management Limited and its direct wholly-owned subsidiary, Surewit Finance Limited, were interested in 39,472,012 shares which were the same parcel of shares and were duplicated in the interests of Dr. LO Ka Shui. The said shares were held for a discretionary trust of which Dr. LO Ka Shui was the founder.

(3) Hartwick Holdings Limited and its direct wholly-owned subsidiary, Good Target Limited, were interested in 55,194,178 shares which were the same parcel of shares and were duplicated in the interests of Mr. LO Kai Shui.

(4) These 40,139,456 shares held by Springtime Int'l Limited and Full Harvest Holdings Limited were the same parcel of shares.

(5) These 38,068,710 shares held by Gainsland Investments Limited was duplicated in the interests described in Note (4). This company was a direct wholly-owned subsidiary of Full Harvest Holdings Limited which was a direct subsidiary of Springtime Int'l Limited.

(6) These 33,269,396 shares held by Adscan Holdings Limited were duplicated in the interests of Dr. LO Ying Sui who had entire interest in said company.

(7) 194,085,777 shares of the 243,818,489 shares were the same parcel of shares as described in Note (1). HSBC International Trustee Limited ("HKIT"), as trustee of a discretionary trust in which the persons mentioned in Note (1) were the beneficiaries, were interested in said 194,085,777 shares. 39,472,012 shares of the 243,818,489 shares were the same parcel of shares as described in Note (2). The 2 companies mentioned in Note (2) were the wholly-owned subsidiaries of HKIT. The remaining shares were held by other trusts for which HKIT acted as the trustee.

(8) These 142,696,832 shares held by Powermax Agents Limited were duplicated in the interests of HKIT. This company was a direct wholly-owned subsidiary of HKIT.

(9) These 1,796,563 shares were held by a company in which Mr. LO Ying Shek had entire interest.

(10) These 25,993,974 shares were held by a company in which Dr. LO Ka Shui had entire interest.

(11) 15,273,861 shares of the 55,413,317 shares were held by companies in which Mr. LO Kai Shui had entire interests. The remaining 40,139,456 shares of the 55,413,317 shares were duplicated in the interests described in Note (4) and Mr. LO Kai Shui had indirect controlling interests in the 2 companies mentioned therein.

(12) Dr. LO Ka Shui has directly or indirectly entered into certain agreements to sell European Put Options covering a total of 5,500,000 shares.

Other than as disclosed above, no notifications were received by the Company from any person (other than Directors of the Company) of having an interest or short position in the shares or underlying shares of the Company (within the meaning of Part XV of the SFO).

Share Option Scheme

During the six months ended 30th June 2005, movements of the share options granted to Directors (some are also substantial shareholders) under the Company's share option scheme as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

		Number of shares					
Name of Director	*Year of grant of options	Outstanding options at 01/01/2005	Options granted	Options exercised	Options cancelled	Options lapsed at 14/02/2005	Outstanding options at 30/06/2005
LO Ying Shek	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
	2005	–	50,000	–	–	–	50,000
		810,000	50,000	(610,000)	–	–	250,000
LO Ka Shui	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
	2005	–	300,000	–	–	–	300,000
		810,000	300,000	(130,000)	–	–	980,000
LO Kai Shui	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
	2005	–	200,000	–	–	–	200,000
		810,000	200,000	(130,000)	–	–	880,000
LO Hong Sui, Antony	2005	–	50,000	–	–	–	50,000
LAW Wai Duen	2005	–	50,000	–	–	–	50,000
KAN Tak Kwong	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
	2005	–	120,000	–	–	–	120,000
		490,000	120,000	(50,000)	–	–	560,000
	Total:	2,920,000	770,000	(920,000)	–	–	2,770,000

During the six months ended 30th June 2005, movements of the share options granted to the Company's employees (including the abovenamed six Directors) as required to be disclosed according to Rule 17.07 of the Stock Exchange Listing Rules were as follows:

	Number of shares					
*Year of grant of options	Outstanding options at 01/01/2005	Options granted	Options exercised	Options cancelled	Options lapsed at 14/02/2005	Outstanding options at 30/06/2005
2000	600,000	–	583,000	–	17,000	–
2001	1,013,000	–	266,000	–	–	747,000
2002	824,000	–	226,000	–	–	598,000
2003	973,000	–	384,000	–	–	589,000
2004	1,201,000	–	–	10,000	–	1,191,000
2005	–	1,606,000	–	–	–	1,606,000
	4,611,000	1,606,000	1,459,000	10,000	17,000	4,731,000

* Details of Options granted in each year

Year	Date of grant	Vesting period	Exercise period	Subscription price per share (HK$)
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
2005	17/03/2005	17/03/2005-17/03/2010	18/03/2007-17/03/2010	18.210

Notes:

(1) Options were granted under the Great Eagle Holdings Limited Share Option Scheme adopted on 10th June 1999.

(2) Consideration paid for each grant of option was HK$1.00.

(3) The closing price of the shares of HK$0.50 each of the Company quoted on the Stock Exchange on 16th March 2005, being the business day immediately before the date (17th March 2005) on which share options were last granted, was HK$18.05.

(4) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$17.63.

(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 (17th March 2005), totalled approximately HK$10,647,780. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Expected volatility:	41.88% based on historical volatility
Expected dividend yield:	0.95% based on historical dividends
Expected life:	5 years from grant date
Risk free interest rate:	3.81% 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$6.63 per option share.

Purchase, Sale or Redemption of Shares

During the six months ended 30th June 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

Audit Committee

The financial statements for the six months ended 30th June 2005 have been reviewed by the Audit Committee of the Company.

Compliance with the Code on Corporate Governance Practices

During the six-month period ended 30th June 2005, the Company has complied with the Code on Corporate Governance Practices (the "Code") with the following deviations:

Code provision A.1.7 requires that there should be a procedure agreed by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company's expense.

The Board has, on 7th September 2005, confirmed and ratified the understanding that the normal procedure for proposing a Board resolution should apply to such a request.

Code provision A.2.1 requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr Lo Ying Shek, the founder of the Company, is the Chairman of the Board and Dr Lo Ka Shui is the Deputy Chairman. Both Mr Lo Ying Shek and Dr Lo Ka Shui were Managing Directors of the Company but the role of chief executive officer has been assumed by Dr Lo Ka Shui alone since 1985.

The Board considers that the existing structure ensures consistent leadership for the Company and has been working very well.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term, subject to re-election.

The Bye-laws of the Company requires that one-third of the directors (other than the executive chairman and Managing Directors) retire by rotation (and such Bye-laws will be amended so that the rotation requirement will apply to the executive chairman and Managing Directors). The Company considers that its corporate governance measures in this respect are no less exacting than those prescribed by A.4.1 of the Code and therefore does not intend to take any steps for compliance.

Code provision A.4.2 also requires that every director should be subject to retirement by rotation at least once every three years.

Under the existing Bye-laws of the Company, the executive chairman and the Managing Director of the Company are not subject to retirement by rotation.

The Company intends to amend its Bye-laws at the 2006 annual general meeting ("AGM") to make the executive chairman and the Managing Director of the Company subject to retirement by rotation.

Code provision D.1.1. requires that when the Board delegates to management, it must give clear directions as to the powers of the management, in particular, with respect to the circumstances where management should report back and obtain prior approval of the Board before making decisions or entering into any commitments on behalf of the Company.

Code provision D.1.2 requires that the Company should formalise the functions reserved to the Board and those delegated to the management.

The Board has, on 7th September 2005, formally adopted and ratified the established practice regarding the Board's functions and delegation to the management.

Code provision E.1.2 requires that the Chairman of the Board should attend the AGM and arrange for the chairmen of the audit, remuneration and nomination committees (or in the absence of the chairman of any such committee, another member of the committee) to be available to answer questions at the AGM.

The Chairman of the Board and the chairmen/members of the said committees did not attend the 2005 AGM. In the future, the date of the AGM will be fixed in consultation with the Chairman of the Board and the chairmen of the said committees so that they will be available to attend.

Compliance with the Model Code

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

By Order of the Board
LO KA SHUI
Deputy Chairman and Managing Director

Hong Kong, 7th September 2005