



**Jardines**

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Group Secretariat

**HONGKONG LAND HOLDINGS LIMITED**  
Securities and Exchange Commission File No.82-2964

29th July 2003

Securities and Exchange Commission  
Office of International Corporate Finance  
Division of Corporate Finance  
450 Fifth Street, N.W.  
Washington D.C. 20549  
U.S.A.



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SUPPL

Dear Sirs

Hongkong Land Holdings Limited (the "Company")

We enclose for your information a copy of the Company's 2003 Interim Results issued today.

Yours faithfully  
JARDINE MATHESON LIMITED

Neil M McNamara  
Group Corporate Secretary

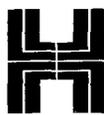
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# Hongkong Land Holdings Limited

## NEWS RELEASE

To: Business Editor

29th July 2003  
 For immediate release

The following announcement was today issued to the London Stock Exchange.

### HONGKONG LAND HOLDINGS LIMITED INTERIM REPORT 2003

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#### Highlights

- Hong Kong office market remains weak
- Further decline in property values
- Occupancy in Central portfolio over 90% with Chater House 79% let
- First phase of Central Park residential project in Beijing substantially sold

“Further weakness is expected in the Hong Kong property market in the second half of the year as new developments continue to put pressure on values and rents. Hongkong Land will remain focused on providing superior levels of customer service and property management so as to attract a greater share of tenants and maintain a high level of occupancy.”

Simon Keswick, *Chairman*  
 29th July 2003

#### Results

Prepared in accordance with IFRS as modified by revaluation of leasehold properties#	(unaudited)		
	Six months ended 30th June		
	2003 US\$m	2002 US\$m	Change %
Underlying net profit	84	96	-13
Net loss	(872)	(506)	n/m
	US¢	US¢	%
Underlying earnings per share	3.76	4.30	-13
Loss per share	(39.19)	(22.73)	n/m
Interim dividend per share	2.00	3.50	-43
	US\$	US\$	%
Net asset value per share	1.80	2.23*	-19
* At 31st December 2002			
# The Group's financial statements are prepared under International Financial Reporting Standards ('IFRS') which do not permit leasehold interests in land to be carried at valuation. This treatment does not reflect the generally accepted accounting practice in the territories in which the Group has significant leasehold interests, nor how management measures the performance of the Group. Accordingly, the Group has presented supplementary financial information prepared in accordance with IFRS as modified by the revaluation of leasehold properties in addition to the IFRS financial statements. The figures included in the above summary and the Chairman's Statement are based on this supplementary financial information unless otherwise stated.			

The interim dividend of US\$2.00 per share will be payable on 15th October 2003 to shareholders on the register of members at the close of business on 22nd August 2003. The ex-dividend date will be on 20th August 2003, and the share registers will be closed from 25th to 29th August 2003, inclusive.

**HONGKONG LAND HOLDINGS LIMITED**  
**INTERIM REPORT 2003**

**OVERVIEW**

The Hong Kong office market is experiencing a period of negative net demand not seen for more than 20 years. The completion of new buildings in such an environment has inevitably placed downward pressure on rents. Against this very competitive background, Hongkong Land has continued to gain market share and has succeeded in reducing vacancy in the first half to under 10% of its portfolio.

**PERFORMANCE**

Underlying net profit for the six months ended 30th June 2003 was US\$84 million, a reduction of 13% compared with the first half of 2002. Net income from properties trended lower as rental reversions continued to be negative. Underlying earnings per share at US¢3.76 fell in line with underlying profit.

Under the provisions of International Financial Reporting Standards, the Group is required to take any movement in the value of its investment property portfolio to profit and loss account. At 30th June 2003, on the basis of an external valuer's report, a net revaluation deficit of some US\$952 million has been taken to profit and loss account, reflecting a reduction in the value of the portfolio of 15% since 31st December 2002. This has led to an overall reported loss for the half year of US\$872 million. With no short-term recovery anticipated, the Directors have concluded that it would be prudent to reduce the interim dividend for 2003 to US¢2.00 per share.

**GROUP REVIEW**

*Commercial Property*

The cyclical downturn in the office market in Hong Kong has continued with weak demand for additional space. The market remains active, however, with a range of businesses concluding that space consolidation and relocation decisions are best implemented when the market is competitively priced. Hongkong Land continued to win a significant proportion of these relocating tenants in the first half of 2003, thereby reducing committed vacancy to single figures by the end of June.

In addition to the tough economic environment, Hong Kong had to deal with the outbreak of SARS. This led to a sharp, though uneven, short-term reduction in turnover for many retailers. Hongkong Land, however, remains confident in the recovery of the high-end retail sector, and has launched the first phase of its project to enhance the Landmark complex.

The Group's joint-venture development in Singapore, One Raffles Quay, is under construction. Although the market is presently weak, the prime location of this development has been underscored by the Singapore authorities' announcement that the new Business and Financial Centre of the city will be focused in the Marina Boulevard area.

### ***Residential Property***

Despite the hiatus in the Beijing property market in the second quarter, created by the outbreak of SARS, sales have steadily risen at Hongkong Land's joint venture with the Vantone Group, Central Park. Phase One is now substantially sold and will be completed in mid-2004. The second phase of the development is being planned.

In Hong Kong, construction work is continuing at Ivy on Belcher's, the Group's small development in Western District. Grosvenor Land, the Group's joint-venture property fund with Grosvenor Estate, made no new acquisitions and its existing portfolio is almost fully let.

### ***Infrastructure***

As announced in February, the Group's strategy is to extract value from existing infrastructure assets, while minimising further investment. In Mainland China, the Group has agreed to sell the majority of its stake in China Water Company, reducing its interest to 2.4% and realising a profit of some US\$3 million. Central China Power has been liquidated and the assets sold, creating a small write-back to the Group's accounts. The future of China Infrastructure Group is under review.

In Hong Kong, construction is continuing on the new container terminal with completion expected in 2004, when Asia Container Terminals, in which the Group has a 28.5% stake, will exchange its interest in CT9 for two berths in CT8. The Tradeport logistics terminal became operational in the first half and has signed its first customers.

***Finance***

The Group's strategy of extending the maturity of its borrowing facilities made progress with an issue of HK\$1.5 billion 3-year fixed rate bond in April and the signing of a HK\$5 billion 7-year bank syndicated loan in July. The average life of the Group's facilities has now been extended to over five years.

**OUTLOOK**

In conclusion, the Chairman, Simon Keswick said, "Further weakness is expected in the Hong Kong property market in the second half of the year as new developments continue to put pressure on values and rents. Hongkong Land will remain focused on providing superior levels of customer service and property management so as to attract a greater share of tenants and maintain a high level of occupancy."

**Hongkong Land Holdings Limited**  
**Consolidated Profit and Loss Account**

Prepared in accordance with IFRS (unaudited)			Prepared in accordance with IFRS as modified by revaluation of leasehold properties* (unaudited)				
Year ended 31st December 2002	Six months ended 30th June 2002	Year ended 31st December 2003		Six months ended 30th June 2003	Year ended 31st December 2002		
US\$m	US\$m	US\$m	Note	US\$m	US\$m		
396.6	190.6	183.8	2	Revenue	183.8	190.6	396.6
(115.1)	(48.9)	(56.1)		Recoverable and non-recoverable costs	(39.3)	(37.0)	(84.2)
281.5	141.7	127.7		Net income from properties	144.5	153.6	312.4
0.5	0.2	0.2		Other income	0.2	0.2	0.5
(29.6)	(14.5)	(14.8)		Administrative and other expenses	(14.8)	(14.5)	(29.6)
252.4	127.4	113.1			129.9	139.3	283.3
-	-	-		Decrease in fair value of investment properties	(951.8)	(601.1)	(987.7)
(97.7)	(55.1)	(36.0)	3	Asset impairments and disposals	1.7	2.2	(25.3)
154.7	72.3	77.1	4	Operating profit/(loss)	(820.2)	(459.6)	(729.7)
(64.8)	(29.7)	(33.1)		Net financing charges	(33.1)	(29.7)	(64.8)
(1.9)	(0.8)	(2.2)	5	Share of results of associates and joint ventures	(5.5)	(2.7)	(4.1)
88.0	41.8	41.8		Profit/(loss) before tax	(858.8)	(492.0)	(798.6)
(27.2)	(14.0)	(13.2)	6	Tax	(13.3)	(13.9)	(26.9)
60.8	27.8	28.6		Profit/(loss) after tax	(872.1)	(505.9)	(825.5)
(0.1)	(0.1)	(0.1)		Minority interests	(0.1)	(0.1)	(0.1)
60.7	27.7	28.5		Net profit/(loss)	(872.2)	(506.0)	(825.6)
US¢	US¢	US¢			US¢	US¢	US¢
2.73	1.24	1.28	7	Earnings/(loss) per share	(39.19)	(22.73)	(37.10)
7.17	3.72	2.97		- basic	3.76	4.30	8.64
				- underlying			

\* The basis of preparation of this supplementary financial information is set out in Note 1.



**Hongkong Land Holdings Limited**  
**Consolidated Statement of Changes in Shareholders' Funds**

Prepared in accordance with IFRS			Note	Prepared in accordance with IFRS as modified by revaluation of leasehold properties*		
Year ended 31st December 2002	(unaudited) Six months ended 2002	(unaudited) 30th June 2003		(unaudited) Six months ended 2003	(unaudited) 30th June 2002	Year ended 31st December 2002
US\$m	US\$m	US\$m		US\$m	US\$m	US\$m
465.4	465.4	260.1		4,957.2	6,048.1	6,048.1
			At beginning of period			
25.8	23.8	(1.7)	Net exchange translation differences	(1.4)	23.4	26.5
3.1	-	-	- amount arising in the period	-	-	3.1
			- transfer to consolidated profit and loss account			
14.2	14.9	(0.1)	Revaluation of other investments	(0.1)	14.9	14.2
			- fair value (losses)/gains			
(87.2)	-	-	- transfer to consolidated profit and loss account on disposal	-	-	(87.2)
			Cash flow hedges			
(46.2)	(20.2)	1.0	- fair value gains/(losses)	1.0	(20.2)	(46.2)
			- transfer to consolidated profit and loss account			
24.6	11.9	13.9		13.9	11.9	24.6
			Net gains/(losses) not recognised in consolidated profit and loss account	13.4	30.0	(65.0)
(65.7)	30.4	13.1				
60.7	27.7	28.5	Net profit/(loss)	(872.2)	(506.0)	(825.6)
(200.3)	(122.4)	(89.0)	10 Dividends	(89.0)	(122.4)	(200.3)
260.1	401.1	212.7	At end of period	4,009.4	5,449.7	4,957.2

\* The basis of preparation of this supplementary financial information is set out in Note 1.

**Hongkong Land Holdings Limited**  
**Consolidated Cash Flow Statement**

Prepared in accordance with IFRS (unaudited)			Prepared in accordance with IFRS as modified by revaluation of leasehold properties* (unaudited)		
Year ended 31st December 2002	Six months ended 30th June 2002	Six months ended 30th June 2003	Year ended 31st December 2002	Year ended 31st December 2002	Year ended 31st December 2002
US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
<b>Cash flows from operating activities</b>					
154.7	72.3	77.1	(820.2)	(459.6)	(729.7)
32.1	14.5	17.4	0.6	2.6	1.2
-	-	-	951.8	601.1	987.7
97.7	55.1	36.0	(1.7)	(2.2)	25.3
(22.0)	0.8	(13.0)	(13.0)	0.8	(22.0)
(0.9)	(6.0)	(3.6)	(3.6)	(6.0)	(0.9)
29.5	12.8	10.2	10.2	12.8	29.5
(88.8)	(43.9)	(42.5)	(42.5)	(43.9)	(88.8)
(11.5)	(4.9)	(14.4)	(14.4)	(4.9)	(11.5)
2.0	0.8	0.5	0.5	0.8	2.0
192.8	101.5	67.7	67.7	101.5	192.8
<b>Cash flows from investing activities</b>					
(21.5)	(8.9)	(10.3)	(10.3)	(8.9)	(21.5)
(102.7)	(72.1)	(15.6)	(15.6)	(72.1)	(102.7)
(20.3)	(1.7)	(27.0)	(27.0)	(1.7)	(20.3)
(1.3)	-	-	-	-	(1.3)
4.0	-	79.6	79.6	-	4.0
(141.8)	(82.7)	26.7	26.7	(82.7)	(141.8)
<b>Cash flows from financing activities</b>					
-	-	190.5	190.5	-	-
(618.0)	(391.0)	(262.9)	(262.9)	(391.0)	(618.0)
751.9	391.0	91.2	91.2	391.0	751.9
(5.8)	(5.7)	(12.8)	(12.8)	(5.7)	(5.8)
(199.3)	(121.5)	(88.5)	(88.5)	(121.5)	(199.3)
(71.2)	(127.2)	(82.5)	(82.5)	(127.2)	(71.2)
0.6	0.2	(0.3)	(0.3)	0.2	0.6
(19.6)	(108.2)	11.6	11.6	(108.2)	(19.6)
566.2	566.2	546.6	546.6	566.2	566.2
546.6	458.0	558.2	558.2	458.0	546.6
US¢	US¢	US¢	US¢	US¢	US¢
7.70	4.16	2.58	2.58	4.16	7.70

Note

// Cash flow per share

\* The basis of preparation of this supplementary financial information is set out in Note 1.

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**Hongkong Land Holdings Limited**  
**Notes**


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**1. ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The unaudited interim condensed financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting.

There have been no changes to the accounting policies described in the 2002 annual financial statements. As in 2002, the Group is required to account for leasehold land in respect of investment and other properties at amortised cost in order to comply with IFRS. This treatment does not reflect the generally accepted accounting practice in the territories in which the Group has significant leasehold interests, nor how management measures the performance of the Group. Accordingly, the Group has presented supplementary financial information on pages 5 to 8 prepared in accordance with IFRS as modified by the revaluation of leasehold properties.

The Directors continue to review the appropriateness of the Group's accounting policies and disclosures in the light of developments in IFRS.

**2. REVENUE**

	Prepared in accordance with IFRS	
	Six months ended 30th June	
	2003	2002
	US\$m	US\$m
Property		
Rental income	154.0	161.1
Service and management charges	29.8	29.5
	<u>183.8</u>	<u>190.6</u>

**3. ASSET IMPAIRMENTS AND DISPOSALS**

	Prepared in accordance with IFRS	
	Six months ended 30th June	
	2003	2002
	US\$m	US\$m
Impairment provisions on properties	(40.7)	(57.3)
Other asset impairment reversals	4.7	-
Gain on dilution of interest in a joint venture	-	2.2
	<u>(36.0)</u>	<u>(55.1)</u>
<i>By business</i>		
Property	(40.4)	(57.3)
Infrastructure	4.4	2.2

## 4. OPERATING PROFIT

	Prepared in accordance with IFRS	
	Six months ended 30th June	
	2003	2002
	US\$m	US\$m
<i>By business</i>		
Property	124.1	138.1
Infrastructure	(0.7)	(0.8)
Corporate	(10.3)	(9.9)
	<u>113.1</u>	<u>127.4</u>
Asset impairments and disposals (see Note 3)	(36.0)	(55.1)
	<u>77.1</u>	<u>72.3</u>

## 5. SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	Prepared in accordance with IFRS	
	Six months ended 30th June	
	2003	2002
	US\$m	US\$m
<i>By business</i>		
Property	(2.0)	(1.1)
Infrastructure	(0.2)	(0.2)
Corporate	-	0.5
	<u>(2.2)</u>	<u>(0.8)</u>

## 6. TAX

	Prepared in accordance with IFRS	
	Six months ended 30th June	
	2003	2002
	US\$m	US\$m
Company and subsidiaries	13.0	13.7
Associates and joint ventures	0.2	0.3
	<u>13.2</u>	<u>14.0</u>

Tax on profits is provided at the rates of taxation prevailing in the territories in which the Group operates.

## 7. EARNINGS PER SHARE

Earnings per share are calculated on net profit of US\$28.5 million (2002: US\$27.7 million) and on the weighted average number of 2,225.6 million (2002: 2,225.6 million) shares in issue during the period, which excludes 69.6 million shares in the Company held by a wholly-owned subsidiary.

Earnings per share reflecting the revaluation of leasehold properties are calculated on net loss of US\$872.2 million (2002: loss of US\$506.0 million) as shown in the supplementary financial information.

Additional earnings per share are also calculated based on underlying net profit. The difference between underlying net profit and net profit is reconciled as follows:

Prepared in accordance with IFRS			Prepared in accordance with IFRS as modified by revaluation of leasehold properties	
Six months ended 30th June			Six months ended 30th June	
2002	2003		2003	2002
US\$m	US\$m		US\$m	US\$m
27.7	28.5	Net profit/(loss)	(872.2)	(506.0)
-	-	Revaluation of leasehold properties	957.6	603.9
55.1	37.5	Asset impairments and disposals	(1.7)	(2.2)
<u>82.8</u>	<u>66.0</u>	Underlying net profit	<u>83.7</u>	<u>95.7</u>

## 8. TANGIBLE ASSETS

	Prepared in accordance with IFRS		
	Six months ended 30th June		Year ended 31st December
	2003	2002	2002
	US\$m	US\$m	US\$m
Net book value at beginning of period	915.7	819.1	819.1
Exchange rate adjustments	(1.5)	5.6	8.0
Additions	14.3	112.6	118.7
Depreciation	(14.8)	(11.7)	(26.4)
Release of contingency	-	-	(3.7)
Net book value at end of period	<u>913.7</u>	<u>925.6</u>	<u>915.7</u>

## 9. BORROWINGS

	Prepared in accordance with IFRS		
	At 30th June		At 31st
	2003	2002	December
	US\$m	US\$m	US\$m
<b>Current</b>			
Bank overdrafts	2.7	2.9	4.0
Short-term borrowings	57.7	38.4	38.5
Current portion of long-term borrowings	32.0	41.0	25.6
	92.4	82.3	68.1
<b>Long-term borrowings</b>			
Bank loans	1,175.3	1,235.6	1,389.0
7% bonds due 2011	710.0	618.6	685.6
3% notes due 2006	190.6	-	-
	2,075.9	1,854.2	2,074.6
	2,168.3	1,936.5	2,142.7
<b>Secured</b>			
	2.0	491.7	264.8
<b>Unsecured</b>			
	2,166.3	1,444.8	1,877.9
	2,168.3	1,936.5	2,142.7
Hong Kong Dollar	1,827.3	1,711.8	1,805.3
Singapore Dollar	274.7	220.8	275.6
United States Dollar	65.9	3.3	61.1
Vietnamese Dong	0.4	0.6	0.7
	2,168.3	1,936.5	2,142.7

## 10. DIVIDENDS

	Prepared in accordance with IFRS	
	Six months ended 30th June	
	2003	2002
	US\$m	US\$m
Final dividend in respect of 2002 of US¢4.00 (2001: US¢5.50) per share	89.0	122.4

An interim dividend in respect of 2003 of US¢2.00 (2002: US¢3.50) per share amounting to a total of US\$44.5 million (2002: US\$77.9 million) is declared by the Board and will be accounted for as an appropriation of revenue reserves in the year ending 31st December 2003.

## 11. CASH FLOW PER SHARE

Cash flow per share is based on cash flows from operating activities less major renovations expenditure amounting to US\$57.4 million (2002: US\$92.6 million) and is calculated on the weighted average of 2,225.6 million (2002: 2,225.6 million) shares in issue during the period, which excludes 69.6 million shares in the Company held by a wholly-owned subsidiary.

## 12. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	Prepared in accordance with IFRS		
	At 30th June		At 31st
	2003	2002	December
	US\$m	US\$m	2002
			US\$m
Capital commitments	<u>611.4</u>	<u>503.6</u>	<u>434.4</u>
Guarantees in respect of			
- facilities made available to joint ventures	23.3	38.5	30.1
- Container Terminal 9 development in Hong Kong	<u>74.2</u>	<u>89.5</u>	<u>78.1</u>

*The interim dividend of US\$2.00 per share will be payable on 15th October 2003 to shareholders on the register of members at the close of business on 22nd August 2003. The ex-dividend date will be on 20th August 2003, and the share registers will be closed from 25th to 29th August 2003, inclusive. Shareholders will receive their dividends in United States Dollars, unless they are registered on the Jersey branch register where they will have the option to elect for Sterling. These shareholders may make new currency elections by notifying the United Kingdom transfer agent in writing by 25th September 2003. The Sterling equivalent of dividends declared in United States Dollars will be calculated by reference to a rate prevailing on 2nd October 2003. Shareholders holding their shares through The Central Depository (Pte) Limited ('CDP') in Singapore will receive United States Dollars unless they elect, through CDP, to receive Singapore Dollars.*

- end -

For further information, please contact:

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## **NOTE TO EDITORS**

Hongkong Land is a leading property investment, management and development group with a major portfolio in Hong Kong where it owns and manages some five million sq. ft of prime office and retail space in the heart of the Central business district.

Hongkong Land Limited manages these assets and the Group's other property and infrastructure interests in Asia from Hong Kong by providing services to Group companies.

Hongkong Land Holdings Limited is incorporated in Bermuda with its primary share listing in London. The Company's shares are also listed in Singapore and Bermuda. In addition, it has a sponsored American Depositary Receipt programme. Hongkong Land is a member of the Jardine Matheson Group.