

NOTES TO CONDENSED ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants and disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These condensed accounts should be read in conjunction with the 2001 annual financial statements.

This interim report has been prepared on a basis consistent with the principal accounting policies adopted in the 2001 annual report, with the exception of changes in accounting policies to comply with new and revised SSAPs, which are effective for accounting periods commencing on or after 1 January 2002, as set out below:

- (a) On adoption of SSAP 11 (revised) "Foreign currency translation", the profit and loss accounts of subsidiaries, jointly controlled entities and associated companies denominated in foreign currencies are translated at the weighted average exchange rates during the year. In previous years these were translated at exchange rates ruling at the balance sheet date. The effects of such change is not material to the accounts.
- (b) Certain presentational changes have been made upon the adoption of SSAP 1 (revised) "Presentation of financial statements" and SSAP 15 (revised) "Cash flow statements".

2 Turnover and segment information

The Group is principally engaged in property investment, property trading and providing property management services.

An analysis of the Group's turnover and results for the period by business segments is as follows:

	Six months ended 30 June 2002				
	Property investment	Property management and related services	Property trading	Operation of driver training centres and tunnel operation and management	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	58,188	3,863	—	—	62,051
Segment results	52,711	2,566	374	—	55,651
Loss on deemed disposal of interest in an associated company	—	—	—	(12,517)	(12,517)
Finance costs					(16,925)
Operating profit					26,209
Share of profit of associated companies	—	—	—	13,854	13,854
Goodwill amortisation	—	—	—	(7,072)	(7,072)
Profit before taxation					32,991
Taxation					(4,953)
Profit attributable to shareholders					28,038

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	Six months ended 30 June 2001				
	Property investment HK\$'000	Property management and related services HK\$'000	Property trading HK\$'000	Operation of driver training centres and tunnel operation and management HK\$'000	Group HK\$'000
Turnover	<u>62,964</u>	<u>5,348</u>	<u>73,000</u>	<u>—</u>	<u>141,312</u>
Segment results	<u>57,916</u>	<u>3,527</u>	<u>(9,879)</u>	<u>—</u>	<u>51,564</u>
Finance costs					<u>(31,300)</u>
Operating profit					20,264
Share of profits less losses of associated companies	—	—	15,259	9,957	25,216
Goodwill amortisation	—	—	—	(3,950)	<u>(3,950)</u>
Profit before taxation					41,530
Taxation					<u>(1,879)</u>
Profit attributable to shareholders					<u><u>39,651</u></u>

There are no sales or other transactions between the business segments.

2 Turnover and segment information (continued)

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segments is as follows:

	Turnover		Operating profit	
	Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segment:				
Hong Kong	62,051	68,312	26,620	29,070
Mainland China	—	73,000	(411)	(8,806)
	<u>62,051</u>	<u>141,312</u>	<u>26,209</u>	<u>20,264</u>

Turnover is analysed based on the country in which the customer is located. There are no sales between the geographical segments.

3 Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Crediting		
Write-back of provision for doubtful debt	—	203
Interest income	653	2,659
	<u>653</u>	<u>2,862</u>
Charging		
Depreciation of fixed assets	179	87
Outgoings in respect of other properties	484	2,284
Interest expense	16,224	27,784
Loss on deemed disposal of interest in an associated company	12,517	—
Loss on disposal of a subsidiary	—	1,269
	<u>19,399</u>	<u>31,339</u>

NOTES TO CONDENSED ACCOUNTS**4 Staff costs**

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Wages and salaries	3,245	3,813
Pension costs - defined contribution plans	127	160
	<u>3,372</u>	<u>3,973</u>

5 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	3,740	2,011
Under/(over) provision in prior periods	11	(695)
	<u>3,751</u>	<u>1,316</u>
Share of taxation attributable to an associated company	1,202	563
	<u>4,953</u>	<u>1,879</u>

6 Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$28,038,000 (2001: HK\$39,651,000) and on 797,157,415 (2001: 797,157,415) ordinary shares in issue during the period. The options of the Company do not result in a dilution effect on the earnings per share in respect of the periods ended 30 June 2002 and 2001.

7 Fixed assets

	Investment properties, equipment and motor vehicles HK\$'000
Six months ended 30 June 2002	
Opening net book amount	1,857,088
Additions	1,439
Depreciation	(179)
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Closing net book amount	<u>1,858,348</u>

8 Trade and other receivables

Included in trade and other receivables are trade debtors of HK\$57,275,000 (31 December 2001: HK\$79,560,000) and their ageing analysis is as follows:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Not yet due	17,100	53,600
Within 30 days	2,143	22,237
31 - 60 days	37,653	1,749
61 - 90 days	38	953
Over 90 days	341	1,021
	<hr/>	<hr/>
	<u>57,275</u>	<u>79,560</u>

Other trade debtors are primarily rental receivable from tenants. The payment term is stated according to tenancy agreement and payment is normally due on the first day of the month.

NOTES TO CONDENSED ACCOUNTS**9 Trade and other payables**

Included in trade and other payables are trade payables of HK\$1,488,000 (31 December 2001: HK\$939,000) and their ageing analysis is as follows:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Within 30 days	1,097	505
31 - 60 days	175	233
61 - 90 days	216	201
	<u>1,488</u>	<u>939</u>

10 Bank loans, secured

(a) Bank loans are repayable as follows:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Within one year	252,000	271,000
In the second year	35,000	176,500
In the third to fifth year	313,000	105,500
After the fifth year	338,500	361,000
	<u>938,500</u>	<u>914,000</u>
Amounts classified under current liabilities	<u>(252,000)</u>	<u>(271,000)</u>
Amounts classified under non-current liabilities	<u>686,500</u>	<u>643,000</u>

10 Bank loans, secured (continued)

(b) Pledge of assets

The bank loans are secured by mortgages on certain investment properties and properties held for sale with an aggregate carrying value of HK\$1,883,000,000 (31 December 2001: HK\$1,882,000,000) and the assignment of rental income from certain of the properties.

In addition, the company has pledged all the issued shares of certain subsidiaries and subordinated its loans to certain subsidiaries in favour of the lenders of the above bank loans.

11 Share capital

	Ordinary shares of HK\$0.10 each	
	Number	HK\$'000
Authorised:		
At 30 June 2002 and 31 December 2001	1,500,000,000	150,000
	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid:		
At 30 June 2002 and 31 December 2001	797,157,415	79,716
	<u>797,157,415</u>	<u>79,716</u>

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12 Contingent liabilities

- (a) A subsidiary has claimed against the contractor of a property development project, and deducted from payments to the contractor, approximately HK\$11 million for the delay in completion and defects of the construction works. In addition, there is a dispute of approximately HK\$1.7 million regarding the final contract amount. The contractor has denied the claim and is counter-claiming the subsidiary for HK\$22.3 million, including liquidated damages, the abovementioned disputed contract sum and loss and expense. The case is pending arbitration. As at 30 June 2002, provisions of HK\$7.4 million (31 December 2001: HK\$7.4 million) have been made for the expected legal costs on this dispute, which the directors consider to be adequate, taking into account expert professional advice received.
- (b) The Company has executed guarantees totalling HK\$1,068,900,000 (31 December 2001: HK\$1,074,400,000), with respect to banking facilities made available to its subsidiaries, of which HK\$898,500,000 were utilised at 30 June 2002 (31 December 2001: HK\$874,000,000).
- (c) A subsidiary has executed guarantees to secure banking facilities made available to its investee company and certain property buyers of the investee company in respect of mortgage loans. The total outstanding amounts of these guarantees given by the subsidiary as at 30 June 2002 is approximately HK\$13 million (31 December 2001: HK\$13 million).

13 Commitments

(a) Capital commitments

The Group had the following capital commitments in respect of property held for development and investment properties:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Contracted but not provided for	10,989	9,986
Authorised but not contracted for	<u>14,380</u>	<u>10,330</u>
	<u><u>25,369</u></u>	<u><u>20,316</u></u>

(b) Commitments under operating leases

At 30 June 2002, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Within one year	<u>—</u>	<u>395</u>

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14 Future operating lease receivables

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of properties as follows:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Within one year	102,090	106,438
In the second to fifth year inclusive	92,000	111,401
	<u>194,090</u>	<u>217,839</u>

15 Related party transactions

Significant related party transactions which were carried out in the normal course of the Group's business are as follows:

		Six months ended 30 June	
	Note	2002 HK\$'000	2001 HK\$'000
Rental received from related companies		—	355
Building management fee received from a related company		—	464
Rental paid to a shareholder	(a)	443	443
Administrative staff cost paid to a shareholder	(b)	168	248
		<u>168</u>	<u>248</u>

15 Related party transactions (continued)

Note:

- (a) A subsidiary, Y. T. Group Management Limited, formerly known as Prestige Group Management Limited, has entered into a sub-sub-lease agreement with a subsidiary of Yugang International Limited ("Yugang") to lease office space at a monthly rental of HK\$73,857 based on floor area occupied. Yugang is a major beneficial shareholder of the Company.
- (b) Y. T. Group Management Limited has also entered into an administrative staff cost agreement with Yugang to share the cost of common staff commencing 1 January 2001 at a monthly charge of HK\$41,398. The monthly charge was revised to HK\$28,000 starting from 1 September 2001.

By Order of the Board
Wong Chi Keung, Dickie
Managing Director

Hong Kong, 6 September 2002