

BUSINESS OVERVIEW AND OUTLOOK

Turnover for the period was similar to the corresponding period last year and profit attributable to shareholders was higher than last year by 11%. Gross profit margin for the period was 12%, similar to last year.

Contribution from Properties Division increased as compared to the same period last year, accounting for approximately 57% both in terms of total turnover and total operating profit.

Major properties sales during the period were The SeaCrest in Hong Kong and Parkview Place in Guangzhou.

The contribution from the Construction Materials Division during the period was less than that of last year. The soft market demand in Hong Kong resulted in lower turnover and reduced profit margin despite active management efforts to contain costs and improve productivity. However, the performance in Shanghai was encouraging with growth both in terms of turnover and profit contribution.

Under the strategy to enhance sales at a moderate profit margin, the Group expects a steady performance for its property division in Hong Kong in the foreseeable future.

Currently, the Group has acquired two more sites in the mainland during the period and now has property development projects of over eight million square feet gross floor area, mainly in Shanghai, at various stages of development. Sales revenues will be forthcoming in the second half of 2003 when these projects are ready for pre-sales. The Group is optimistic about the performance of the residential property market in Shanghai.

The prolonged slow down in the demand for construction materials in Hong Kong is likely to persist until such time when the economic restructuring is completed. To maintain our Construction Materials Division's leading position in Hong Kong, the Group will continue its efforts to contain costs through further consolidation of its Hong Kong resources.

The Group has announced investment in many construction materials projects to capture the huge opportunities available in the Mainland. The Group focuses on penetrating further the existing Shanghai market and expanding its products range and business presence to Beijing and other major cities.

FINANCIAL POSITION

Total funds employed at 30th June 2002 was HK\$6.1 billion, showing an increase from HK\$5.5 billion as at 31st December, 2001.

The net assets value per share at 30th June 2002 was HK\$1.29, a slight increase over HK\$1.27 at 31st December 2001. The increase was mainly attributable to the profit earned for the period.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

Cash and bank balances less short-term loans and overdraft at 30th June 2002 stood at HK\$706 million, 144% higher than HK\$289 million at 31st December 2001.

The gearing ratio, defined as the total loans outstanding less cash balances to total assets, stayed at a healthy level of 28%, as compared to 26% at 31st December 2001.

The Group's liquidity position remains strong and the Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future assets acquisitions.

TREASURY POLICY

The Group continues to adopt a conservative approach regarding foreign exchange exposure, which is managed to minimize risk. The majority of the Group's borrowings are in either Hong Kong Dollars or United States Dollars. Keeping a minimum exposure to foreign exchange risks, the Group has not engaged in the use of other derivative products, which are considered not necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Investment properties and land and buildings with carrying values of HK\$241 million and HK\$299 million respectively were pledged to banks to secure the Group's borrowing facilities.

CONTINGENT LIABILITIES

The Company has executed guarantees in favour of banks and financial institutions in respect of facilities granted to certain subsidiaries and a jointly controlled entity amounting to HK\$2,490 million (31st December 2001: HK\$3,040 million) and HK\$204 million (31st December 2001: HK\$204 million) respectively.

At 30th June 2002, the facilities utilised amounted to HK\$1,320 million (31st December 2001: HK\$1,267 million) and HK\$62 million (31st December 2001: HK\$62 million) respectively.

The Company has executed a guarantee in favour of the HKSAR Government in respect of the performance by a subsidiary's obligation under a contract with the HKSAR Government.

EMPLOYEES AND REMUNERATION POLICY

The Group, excluding associated companies and jointly controlled entities, have approximately 1,500 employees. The Group recruits and promotes individuals based on their competencies, merit and development potential and ensures remuneration packages including a share option scheme for executives are competitive.