

CONTENTS

	<i>Pages</i>
Management commentary	2
Condensed consolidated profit and loss account	10
Condensed consolidated balance sheet	11
Condensed consolidated cash flow statement	13
Condensed consolidated statement of changes in equity	14
Notes to interim financial statements	16

The directors are pleased to present the Group's interim report and condensed accounts for the six months ended 30 June 2003. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2003, and the consolidated balance sheet of the Group as at 30 June 2003, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 10 to 28 of this report.

BUSINESS REVIEW AND PROSPECTS

The Group's consolidated profit after taxation for the first six months of 2003 was HK\$25.3 million which is 2.8% lower than the results of the corresponding period of 2002. Earnings per share for the first six-month period of 2003 amounted to HK3.2 cents (2002 : HK3.3 cents (as restated)).

Gross rental income from investment properties for the half-year ended 30 June 2003 amounted to HK\$45.1 million, down 22.5% from HK\$58.2 million for the corresponding period last year. The drop in rental income was primarily due to some major tenancy changes in Prestige Tower as well as loss of rental income after the disposal of certain property during the second half of 2002.

The outbreak of Severe Acute Respiratory Syndrome ("SARS") in mid-March 2003 seriously affected the local economy on many fronts, in particular, the retail and tourist-related industries. Leasing activities almost came to a halt during the second quarter of 2003. In response to the crisis, the Government of the HKSAR introduced a HK\$11.8 billion relief package to help households and businesses that were severely affected by SARS. Many affected tenants not eligible for the Government's relief inevitably turned to the landlords for assistance. As an investment landlord, the Group though could not be exempted from being affected by rental relief requests, the pressure mounted on us was relatively small. We ascribe this to our effort in maintaining a higher percentage of occupancy for our properties and more importantly, most of our retail tenants are of top brandings and have solid financial backgrounds to weather a crisis like SARS. Business gradually returned to normal with the World Health Organisation's decision to remove Hong Kong from the list of SARS affected areas in late June. Despite the difficult market environment, the Group had successfully concluded renewal and new leasing deals at satisfactory level and pace since the outbreak of SARS in mid-March 2003. This remarkable result could not have been achieved had it not for the strategic locations of our buildings, the proactive leasing efforts and the dedicated management services to tenants.

The Group's share of profit from an associated company, The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), for the period was HK\$11.6 million (2002 : HK\$12.7 million). Cross-Harbour is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and it is engaged in investment and management of tunnels, motoring schools, and highway and tunnel toll system. In May, the Group entered into a share option agreement with Cross-Harbour to acquire an option to subscribe further shares of Cross-Harbour and the terms and details of the option were announced by Cross-Harbour. Subsequently, the option was granted to the Group on 24 June 2003.

Looking ahead, the Group remains cautiously optimistic about the future economic development of Hong Kong. Although some uncertainties still exist locally as well as in most of the world's major economies, Hong Kong will continue to be the best gateway and intermediary between the Mainland and the rest of the world. The recently signed Closer Economic Partnership Arrangement and the planned gradual relaxation of travel policy restriction for the residents of the Mainland all pointed to the strong support of and closer tie with the Mainland. Hong Kong will succeed in positioning itself as a leading international financial and logistics centre, a preferred tourist destination, and a trade-related services hub in the region. That said, it is not expected that there will be a quick recovery in our economy, at least not until the Government of the HKSAR is able to contain the deflation, reduce the budget deficits and improve the unemployment situation. Hence, the Group shall adopt a prudent investment policy and shall only consider projects with stable investment return. At the same time, we shall continue to take a proactive approach in upgrading the buildings and improving the services to tenants so as to increase their confidence in leasing our properties.

FINANCING AND LIQUIDITY

The Group's financial expenses for the first six months of the year amounted to HK\$12.6 million, down 25.7% from HK\$16.9 million for the same period last year. The decrease in financial expenses was due primarily to lower interest rates during the period under review as compared to last year.

The gearing ratio, which is calculated as the ratio of net bank borrowings to shareholders' funds, is currently at 46.6% (31 December 2002 : 45.2% (as restated)). As at 30 June 2003, the level of total bank borrowings has not changed materially since the latest published annual report for 2002. Certain investment properties with aggregate carrying value of HK\$1,785.5 million (31 December 2002 : HK\$1,785 million) were pledged, together with assignment of rental income, to secure loan facilities. Term loan installments repayable within one year amounted to HK\$35 million. Revolving bank loan with balance of HK\$130 million is repayable and renewable within one year.

The following is the maturing profile of the Group's bank borrowings as of 30 June 2003 :

Within one year	19.3%
In the second year	26.7%
In the third to fifth year	26.3%
After the fifth year	27.7%
	<hr/>
Total	100.0%
	<hr/> <hr/>

As at 30 June 2003, the Group's cash and cash equivalent was HK\$13 million. With cash, available banking facilities, and recurring rental income, the Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

As the Group's borrowings are denominated in Hong Kong dollars and its sources of income are primarily denominated in Hong Kong dollars, there is basically no exposure to foreign exchange rate fluctuations.

As at 30 June 2003, contingent liabilities have not changed significantly since last year end date.

STAFF

As at 30 June 2003, the Group employed a total of 30 staff. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, life insurance, provident fund and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2003, the register kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") showed that the directors of the Company held the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO):

(a) Interests in the Company

Name	Nature of interest	No. of ordinary shares	Approximate % of shareholding
Cheung Chung Kiu	Corporate	273,000,000 (Note 1)	34.25
Wong Chi Keung	Personal	2,000,000 (Note 2)	0.25

Notes :

- (1) Mr. Cheung Chung Kiu ("Mr. Cheung") was deemed to be interested in 273,000,000 shares in the Company by virtue of his indirect shareholding interest in Funrise Limited ("Funrise") which owned these shares. Funrise was a wholly owned subsidiary of Yugang International (B.V.I.) Limited ("Yugang International (B.V.I.)"), which was, in turn, a wholly owned subsidiary of Yugang International Limited ("Yugang"). Mr. Cheung and Chongqing Industrial Limited ("Chongqing") owned 0.63% and 37.79% of the issued share capital of Yugang respectively. Chongqing was owned as to 35% by Mr. Cheung, as to 30% by Prize Winner Limited which was owned by Mr. Cheung and his associates, and as to 30% and 5% by Peking Palace Limited ("Peking Palace") and Miraculous Services Limited ("Miraculous Services") respectively. Peking Palace and Miraculous Services were companies controlled by Palin Discretionary Trust, the objects of which included Mr. Cheung and his family.
- (2) The reference to 2,000,000 shares relates to options over 2,000,000 shares in the Company. Details of these options are set out in the section headed "Share Options" of this report.

(b) Interests in The Cross-Harbour (Holdings) Limited ("Cross-Harbour")

(i) Interests in Shares

Name	Nature of interest	No. of ordinary shares	Approximate % of shareholding
Cheung Chung Kiu	Corporate	69,039,417 (Note 3)	27.79

Note (3): Honway Holdings Limited ("Honway", an indirect wholly owned subsidiary of the Company) owned 69,039,417 shares in Cross-Harbour. By virtue of his deemed interest in the share capital of the Company as described in Note (1) above, Mr. Cheung was deemed to be interested in these shares.

(ii) Interests in Share Options

Name	No. of underlying shares	Approximate % of shareholding
Cheung Chung Kiu	60,000,000 (Note 4)	24.15

Note (4): This represents the maximum number of shares issuable upon exercise of the entire option granted on 24 June 2003 (the "Option") pursuant to the share option agreement dated 9 May 2003 made between Cross-Harbour and Honway. Mr. Cheung was deemed to be interested in these underlying shares by virtue of his indirect shareholding interest in Honway.

(iii) Interests in Debentures

Name	Type of debenture	Balance of the principal amount of the debenture and no. of underlying shares	Approximate % of shareholding
Cheung Chung Kiu	Convertible note (Note 5)	HK\$80,457,060 convertible into 21,745,151 new shares at a conversion price of HK\$3.70 per share (Note 6)	8.75

Notes :

(5) Honway held the convertible note. Honway has a right to convert the whole or part of the principal amount of the convertible note into shares at any time and from time to time, from the date of issue of the convertible note up to the third anniversary of the issue of the convertible note in amounts of not less than HK\$1 million on each conversion. Mr. Cheung was deemed to be interested in the underlying shares in respect of the convertible note by virtue of his indirect shareholding interest in Honway.

(6) This represents the interest in the underlying shares derived from the convertible note with the outstanding amount of HK\$80,457,060. The conversion price is HK\$3.50 per share for the period from the date of issue of the convertible note up to the first anniversary of the date of issue of the convertible note ("First Year"), HK\$3.70 per share for the period from the date immediately following the first anniversary of the date of issue of the convertible note up to the second anniversary of the date of issue of the convertible note and HK\$3.90 per share for the period from the date immediately following the second anniversary of the date of issue of the convertible note up to the third anniversary of the date of issue of the convertible note ("Third Year"), subject to adjustment. The total number of the underlying shares in respect of the convertible note changes from the First Year to the Third Year.

All the interests disclosed above represent long positions in the shares, underlying shares and debentures of the Company or Cross-Harbour.

Save as disclosed herein, there was no interest or short position recorded in the register kept under section 352 of the SFO as at 30 June 2003.

SHARE OPTIONS

As at 30 June 2003, the directors and employees of the Company had the following interests in options over new shares in the Company granted under the Company's share option scheme adopted on 22 December 1993:

Type of Participant	No. of outstanding options at the beginning and at the end of the period	Date of grant	Vesting period	Exercise period	Exercise price per share
<i>Directors</i>					
Wong Chi Keung	2,000,000	3 April 2000	3 April 2000 to 2 April 2004	3 April 2000 to 2 April 2010	HK\$0.5860
<i>Other employees</i>					
	100,000	16 July 1996	16 July 1996 to 16 July 1999	16 January 1997 to 15 July 2006	HK\$0.9488
	300,000	3 April 2000	3 April 2000 to 2 April 2004	3 April 2000 to 2 April 2010	HK\$0.5860

No options lapsed and no options were granted, exercised or cancelled during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the interests or short positions of the persons, other than directors of the Company, in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO were as follows:

Shareholder	No. of ordinary shares (Note)	Approximate % of shareholding
Palin Holdings Limited	273,000,000	34.25
Chongqing	273,000,000	34.25
Yugang	273,000,000	34.25
Yugang International (B.V.I.)	273,000,000	34.25
Funrise	273,000,000	34.25
Chan Chun Wai	123,293,201	15.47

Note: The 273,000,000 shares set out in this column refer to the same block of shares beneficially owned by Funrise and are duplicated in Mr. Cheung's interest in the Company as disclosed in the section headed "Directors' Interests in Securities" of this report. All the interests disclosed herein represent long position in the shares of the Company.

Save as disclosed herein, there was no person known to the directors of the Company, other than a director of the Company, who, as at 30 June 2003, had an interest or a short position in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 to the listing rules of the Stock Exchange.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

APPRECIATION

On behalf of the Board, I would like to express our gratitude and sincere appreciation to all management and staff members for their hard work and contribution during the period.

On behalf of the Board

Wong Chi Keung
Managing Director

Hong Kong, 5 September 2003

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

		For the six months ended 30 June	
	Notes	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (Restated)
TURNOVER		52,661	62,051
Outgoings in respect of investment properties		(2,645)	(1,295)
Other direct outgoings		(635)	(897)
Cost of properties sold		(3,512)	—
		<u>45,869</u>	<u>59,859</u>
Other revenue and gains		3,137	2,214
Administrative expenses		(6,556)	(6,422)
Other operating expenses, net		(4,000)	(12,517)
Finance costs		(12,581)	(16,925)
		<u>25,869</u>	<u>26,209</u>
PROFIT FROM OPERATING ACTIVITIES	3	25,869	26,209
Share of profits and losses of associates		13,053	13,854
Amortisation of goodwill on acquisition of an associate		(6,896)	(7,072)
		<u>32,026</u>	<u>32,991</u>
PROFIT BEFORE TAX		32,026	32,991
Tax	4	(6,722)	(6,953)
		<u>25,304</u>	<u>26,038</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>25,304</u>	<u>26,038</u>
BASIC EARNINGS PER SHARE	5	<u>HK3.2 cents</u>	<u>HK3.3 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003 and 31 December 2002

	<i>Notes</i>	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	7	1,795,482	1,795,214
Interest in an associate		782,449	727,487
Non-trading investments - unlisted equity securities		1,928	5,371
Property held for development		48,189	48,000
		<u>2,628,048</u>	<u>2,576,072</u>
CURRENT ASSETS			
Properties held for sale		13,524	16,988
Trade debtors	8	23,485	35,118
Other debtors, deposits and prepayments		48,986	41,336
Amount due from a shareholder		476	—
Cash and bank balances		12,984	31,401
		<u>99,455</u>	<u>124,843</u>
CURRENT LIABILITIES			
Trade creditors	9	943	2,106
Other payables and accrued expenses		24,144	25,698
Rental and management fee deposits received		22,252	23,120
Bank loans, secured	10	165,000	174,000
Tax payable		5,015	4,126
		<u>217,354</u>	<u>229,050</u>
NET CURRENT LIABILITIES		<u>(117,899)</u>	<u>(104,207)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,510,149	2,471,865

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Notes	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000 (Restated)
NON-CURRENT LIABILITIES			
Bank loans, secured	10	691,500	669,000
Deferred tax		8,405	6,197
		<u>699,905</u>	<u>675,197</u>
		<u>1,810,244</u>	<u>1,796,668</u>
CAPITAL AND RESERVES			
Issued capital	11	79,716	79,716
Reserves		1,730,528	1,704,995
Proposed final dividend		—	11,957
		<u>1,810,244</u>	<u>1,796,668</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Net cash inflow from operating activities	11,495	24,976
Net cash outflow from investing activities	(43,412)	(118,299)
Net cash inflow from financing activities	13,500	24,500
Decrease in cash and cash equivalents	(18,417)	(68,823)
Cash and cash equivalents at beginning of period	31,401	82,539
Cash and cash equivalents at end of period	<u>12,984</u>	<u>13,716</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>12,984</u>	<u>13,716</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Unaudited six months ended 30 June 2003								
	Issued capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Non-trading investment reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
Group									
At 1 January 2003									
As previously reported	79,716	94,535	1,350	1,800	1,309,978	(16,229)	319,758	11,957	1,802,865
Prior year adjustment:									
SSAP12- restatement of deferred tax (Note 1)	—	—	—	—	—	—	(6,197)	—	(6,197)
As restated	79,716	94,535	1,350	1,800	1,309,978	(16,229)	313,561	11,957	1,796,668
Final 2002 dividend declared and paid	—	—	—	—	—	—	—	(11,957)	(11,957)
Share of non-trading investment revaluation reserve of an associate	—	—	—	—	—	229	—	—	229
Net gains and losses not recognised in the condensed consolidated profit and loss account	—	—	—	—	—	229	—	—	229
Net profit for the period	—	—	—	—	—	—	25,304	—	25,304
At 30 June 2003	79,716	94,535*	1,350*	1,800*	1,309,978*	(16,000)*	338,865*	—	1,810,244

* These reserve accounts comprise the consolidated reserves of HK\$1,730,528,000 (2002: HK\$1,704,995,000) in the condensed consolidated balance sheet.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

	Unaudited six months ended 30 June 2002								
	Issued capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Non-trading investment reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
Group									
At 1 January 2002									
As previously reported	79,716	94,535	1,350	1,800	1,337,878	(3,523)	281,375	15,943	1,809,074
Prior year adjustment:									
SSAP12- restatement of deferred tax (Note 1)	—	—	—	—	—	—	(8,256)	—	(8,256)
As restated	79,716	94,535	1,350	1,800	1,337,878	(3,523)	273,119	15,943	1,800,818
Final 2001 dividend declared and paid	—	—	—	—	—	—	—	(15,943)	(15,943)
Share of non-trading investment revaluation reserve of an associate	—	—	—	—	—	(9,739)	—	—	(9,739)
Net gains and losses not recognised in the condensed consolidated profit and loss account	—	—	—	—	—	(9,739)	—	—	(9,739)
Net profit for the period (as restated)	—	—	—	—	—	—	26,038	—	26,038
At 30 June 2002	79,716	94,535*	1,350*	1,800*	1,337,878*	(13,262)*	299,157*	—	1,801,174

NOTES TO INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA").

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2002, except that the Group has changed its accounting policy for taxation to comply with SSAP 12 (Revised), "Income taxes", issued by the HKSA, which are effective for accounting periods commencing on or after 1 January 2003. On adoption of SSAP 12 (Revised), deferred tax assets and liabilities relating to differences between capital allowance for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future. This change in accounting policy has been applied retrospectively such that the comparative amounts presented have been restated to conform to the changed policy. Accordingly, the Group's retained profits as at 1 January 2002 and 2003 have been reduced by HK\$8,256,000 and HK\$6,197,000, respectively, which represent the unprovided net deferred tax liabilities. The previously reported net profit for the six months ended 30 June 2002 has also been reduced by HK\$2,000,000 to reflect movement in the deferred tax account during the period.

2. SEGMENTAL INFORMATION

An analysis by principal activity and geographical area of operations of the Group's turnover and contribution to profit from operating activities, are summarised as follows:

Group

	Turnover		Contribution to profit from operating activities	
	For the six months ended 30 June		For the six months ended 30 June	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Property investment	45,093	58,188	39,282	52,711
Property management and related services	3,968	3,863	2,862	2,566
Property trading	3,600	—	(4,122)	374
Operation of driver training centres and tunnel operation and management	—	—	—	(12,517)
Others	—	—	428	—
	<u>52,661</u>	<u>62,051</u>	<u>38,450</u>	<u>43,134</u>
Finance costs			<u>(12,581)</u>	<u>(16,925)</u>
Profit from operating activities			<u>25,869</u>	<u>26,209</u>
By geographical area:				
Hong Kong	52,661	62,051	25,659	26,620
Mainland China	—	—	210	(411)
	<u>52,661</u>	<u>62,051</u>	<u>25,869</u>	<u>26,209</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Group	
	For the six months ended 30 June	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	250	179
Outgoings in respect of other properties	164	484
Loss on deemed disposal of interest in an associate	—	12,517
Staff costs:		
Wages and salaries	3,433	3,245
Pension scheme contributions (defined contribution scheme)	141	127
	<u>3,574</u>	<u>3,372</u>
Interest expenses	12,308	16,224
Gain on disposal of properties	(88)	—
Interest income	<u>(2,311)</u>	<u>(653)</u>

4. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (Restated)
Group:		
Hong Kong	3,089	3,740
Underprovision in prior periods	—	11
Deferred	2,208	2,000
	<u>5,297</u>	<u>5,751</u>
Share of tax attributable to an associate	1,425	1,202
	<u>6,722</u>	<u>6,953</u>

There were no significant potential deferred tax liabilities for which provision has not been made.

5. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the period ended 30 June 2003 is based on the net profit attributable to shareholders for the period of HK\$25,304,000 (2002: HK\$26,038,000 (as restated)) and 797,157,415 (2002: 797,157,415) ordinary shares in issue during the period.

The diluted earnings per share for the period ended 30 June 2002 and 2003 have not been shown as the share options outstanding during those periods have no dilutive effect on the basic earnings per share for those periods.

NOTES TO INTERIM FINANCIAL STATEMENTS

6. DIVIDEND

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2003 (2002: Nil).

7. FIXED ASSETS

	Group
	Investment properties, equipment and motor vehicles (Unaudited) <i>HK\$'000</i>
Net book value:	
At 1 January 2003	1,795,214
Additions	521
Disposals	(3)
Depreciation provided during the period	(250)
	<hr/>
At 30 June 2003	1,795,482
	<hr/> <hr/>

8. TRADE DEBTORS

The aged analysis of trade debtors at the balance sheet date was as follows:

	Group	
	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Not yet due	5,000	9,000
Within 30 days	1,993	17,422
31 - 60 days	359	1,541
61 - 90 days	1,039	779
Over 90 days	15,094	6,376
	<u>23,485</u>	<u>35,118</u>

Included in trade debtors are HK\$19,100,000 (31 December 2002: HK\$32,100,000) which represent proceeds receivable from property buyers and their settlement is based on payment schedule of the corresponding sales and purchase agreements.

The remaining of trade debtors of HK\$4,385,000 (31 December 2002: HK\$3,018,000) is primarily rental receivables from tenants which is normally due on the first day of the month.

NOTES TO INTERIM FINANCIAL STATEMENTS

9. TRADE CREDITORS

The aged analysis of trade creditors at the balance sheet date was as follows:

	Group	
	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within 30 days	803	1,146
31 - 60 days	140	795
61 - 90 days	—	165
	<u>943</u>	<u>2,106</u>

10. INTEREST-BEARING BANK LOANS, SECURED

(a) Bank loans are repayable as follows:

	Group	
	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within one year	165,000	174,000
In the second year	228,500	186,000
In the third to fifth year	225,000	167,000
After the fifth year	<u>238,000</u>	<u>316,000</u>
	856,500	843,000
Portion classified as current liabilities	<u>(165,000)</u>	<u>(174,000)</u>
Portion classified as non-current liabilities	<u><u>691,500</u></u>	<u><u>669,000</u></u>

(b) Pledge of assets

The bank loans are secured by mortgages on certain investment properties with an aggregate carrying value of HK\$1,785,486,000 (31 December 2002: HK\$1,785,000,000) 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.

NOTES TO INTERIM FINANCIAL STATEMENTS

11. SHARE CAPITAL

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Authorised:		
1,500,000,000 ordinary shares of HK\$0.10 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
797,157,415 ordinary shares of HK\$0.10 each	<u>79,716</u>	<u>79,716</u>

12. COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of property held for development and investment properties as follows:

	Group	
	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Contracted, but not provided for	9,791	10,153
Authorised, but not contracted for	<u>8,915</u>	<u>14,366</u>
	<u>18,706</u>	<u>24,519</u>

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within one year	83,475	89,950
In the second to fifth year, inclusive	67,704	73,481
	<u>151,179</u>	<u>163,431</u>

(b) As lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within one year	<u>236</u>	<u>634</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

14. 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 above-mentioned disputed contract sum and loss and expense. The case is pending arbitration. As at 30 June 2003, provision of HK\$7.3 million (31 December 2002: HK\$7.4 million) has 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\$1,036,900,000 (31 December 2002: HK\$1,053,400,000), with respect to banking facilities made available to its subsidiaries, of which HK\$856,500,000 were utilised as at 30 June 2003 (31 December 2002: HK\$843,000,000).
- (c) A subsidiary executed guarantees to secure banking facility made available to an investee company and certain property buyers of the investee company in respect of mortgage loans. In 2002, the entire investment in the investee company was disposed of by the subsidiary. The purchaser of the disposed share of the investee company would provide indemnity to the subsidiary in respect of guarantees given by the subsidiary for and on behalf of the investee company after 31 December 1999. The total outstanding estimated amount of guarantees given by the subsidiary up to 31 December 1999 is approximately HK\$8.8 million as at 30 June 2003 (31 December 2002: HK\$9.8 million).

15. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties during the period:

	<i>Notes</i>	Group	
		For the six months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Rental paid to a shareholder	(a)	468	443
Interest income received on convertible note issued by an associate to the Group	(b)	1,814	—
Purchase of a share option issued by an associate	(c)	50,000	—

Notes:

- (a) A subsidiary, Y. T. Group Management Limited ("YTGML"), entered into a sub-lease agreement with a subsidiary of Yugang International Limited ("Yugang") to lease office space from 27 October 2000, the monthly rental charge was HK\$73,857 plus applicable rates and expenses. The sub-lease agreement was terminated on 30 June 2002. Yugang is a beneficial substantial shareholder of the Company.

YTGML entered into a sub-lease agreement with Chongqing Industrial Limited ("Chongqing") to lease office space for a period of one year commencing on 18 October 2002 at HK\$66,392 per month plus applicable rates and expenses. The rental expenses were charged at cost, based on the floor area occupied by the Group in respect of the office premises rented by Chongqing from an independent third party. Mr. Cheung Chung Kiu, a director of the Company, has beneficial interests in Chongqing, which is a substantial shareholder of the Company. This transaction also constituted a connected transaction for the Company under the listing rules of The Stock Exchange of Hong Kong Limited.

NOTES TO INTERIM FINANCIAL STATEMENTS

15. RELATED PARTY TRANSACTIONS *(continued)*

Notes: (continued)

- (b) On 11 June 2002, a subsidiary of the Company, Honway Holdings Limited ("Honway"), invested HK\$117 million to purchase a convertible note (the "Note") issued by an associate, The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), which bears interest at 3.5% per annum with a maturity date of 11 June 2005. The Note carries a right of conversion into new ordinary shares of the associate at exercise prices of HK\$3.7 and HK\$3.9 per share during the years ending 11 June 2004 and 11 June 2005, respectively.
- (c) On 9 May 2003, Honway entered into a share option agreement with Cross-Harbour. The option was granted on 24 June 2003. Pursuant to the agreement, Honway was entitled to subscribe for up to a maximum of 60 million shares in the capital of Cross-Harbour at exercise prices of HK\$3.4, HK\$3.7 and HK\$4.0 per share during the years ending 24 June 2004, 2005 and 2006, respectively. The consideration paid by Honway for the option granted above was HK\$50,000,000, of which HK\$5,000,000 being the amount for purchasing the option, HK\$25,000,000 being the non-refundable and non-interest bearing deposit payable in advance for exercise of the option and HK\$20,000,000 being a 3-year interest-free term loan advanced by Honway to Cross-Harbour.

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated based on the change in accounting policies as set out in Note 1 to the interim financial statements.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 5 September 2003.