

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	15

The directors are pleased to present the Group's interim report and condensed accounts for the six months ended 30 June 2004. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2004, and the consolidated balance sheet of the Group as at 30 June 2004, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 10 to 26 of this report.

BUSINESS REVIEW

The Group's consolidated profit after taxation for the first six months of 2004 was HK\$32.1 million which is 27% higher than the results of the corresponding period of 2003. Earnings per share for the first six-month period of 2004 amounted to HK4.0 cents (2003 : HK3.2cents).

Gross rental income from investment properties for the half-year ended 30 June 2004 amounted to HK\$38.7 million, down 14.2% from HK\$45.1 million for the corresponding period last year. The decrease in rental income was primarily due to some major tenancy changes in Prestige Tower during 2003 as well as loss of rental income after the disposal of certain property during the first half of 2004.

The recovery of the Hong Kong economy which continued its momentum from the last quarter of 2003 to the first half of 2004 provided a good opportunity for the Group to consolidate its portfolio. During the period under review, the Group had continued its success in disposing of virtually all the remaining non-core properties; the proceeds so raised were largely used to improve the Group's gearing ratio, which is now at a very healthy level. Such strategic move is necessary in order to enable the Group to strengthen its financial position for future acquisition and expansion into the premium property market when opportune times arise in future.

Rebound of consumer confidence and further relaxation of restrictions for Mainland tourists to Hong Kong helped to boost the retail property market in the prime tourist area including Tsimshatsui and Central districts where the Group's major properties are located. The Group's retail portfolio recorded satisfactory upward adjustment of rental when concluding lease renewals during the period under review. The improvement in office sector, however, was comparatively slow due mainly to oversupply and high vacancy factor in the market.

To capture the booming of retail market and to maximize the potential of investment return, the Group during the last few months speeded up its transformation program of the offices into retail and commercial usage. Currently, over 95% of tenants in our portfolio are of retail or commercial nature. Despite the shift of tenants' profile, flexible leasing strategies are always adopted to ensure a higher percentage of occupancy to be constantly maintained in our buildings. As at 30 June 2004, the overall occupancy rate was maintained at over 93%.

The Group's share of net profit after taxation from an associated company, The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), for the period was HK\$15.8 million (2003 : HK\$11.6 million), an increase of 35.5% from last period. 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.

PROSPECTS

The Group maintains a high degree of optimism on the economic outlook of Hong Kong in the coming years. With the staunch support of the Mainland, Hong Kong was able to recover from the devastating blow of the SARS in last year at a pace, which was unprecedented. This strong resilience ability will ensure Hong Kong to remain as an unrivalled hub for doing business in Asia and the gateway to expand into the China Market. More importantly, the stronger tie with the cities in Pan-Pearl River Delta Region which accounts for one-third of China's total GDP will no doubt reinforce the status of this part of Region as one of the most dynamic economic centres of China as well as Asia.

Despite the majority of economic indicators all point to the positive direction, there are however not without uncertainties. To name but a few, there are still a quarter of a million workforce out of job; the interest rate is firmly believed to be on the rising path; the inclination of our economy towards high dependency on a narrower market, i.e. the Mainland and the United States in particular, etc. In view of these uncertainties, the Group will continue to adopt a prudent approach for the rest of the year to actively seek for suitable business expansion with augmenting the property portfolio as core objective. On the other hand, investment opportunities in other areas of business with stable return will not be neglected. In steering our investment strategy forward to whatever direction, the Group will as usual always place the interests of our shareholders in the forefront.

FINANCING AND LIQUIDITY

The Group's financial expenses for the first six months of the year amounted to HK\$6.5 million, down 48.5% from HK\$12.6 million for the same period last year. The decrease in financial expenses was due primarily to lower interest rates and reduced bank balances 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, was 31.9% (31 December 2003: 43.5%). As at 30 June 2004, the total bank borrowing has decreased substantially to HK\$641.5 million from HK\$839 million at end of 2003. Certain investment properties with aggregate carrying value of HK\$1,665 million (31 December 2003: HK\$1,760 million) were pledged, together with assignment of rental income, to secure loan facilities. Term loan installments repayable within one year amounted to HK\$33.5 million. Revolving bank loan with balance of HK\$190 million is repayable and renewable within one year.

The following is the maturing profile of the Group's bank borrowings as of 30 June 2004:

Within one year	34.8%
In the second year	5.9%
In the third to fifth year	25.8%
After the fifth year	33.5%
	<hr/>
Total	100.0%
	<hr/> <hr/>

As at 30 June 2004, the Group's cash and cash equivalent was HK\$50.1 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 2004, contingent liabilities have not changed significantly since last year-end date.

STAFF

As at 30 June 2004, 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 2004 (2003: Nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2004, 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 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 (<i>Note 1</i>)	34.25%
Wong Chi Keung	Personal	2,000,000 (<i>Note 2</i>)	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	76,392,358 (Note 3)	29.55%

Note (3): Honway Holdings Limited ("Honway", an indirect wholly-owned subsidiary of the Company) owned 76,392,358 shares in Cross-Harbour. By virtue of his deemed interest in the issued 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	52,647,059 (Note 4)	20.37%

Note (4): This represents the maximum number of shares issuable upon exercise of remainder of the option granted on 24 June 2003 (the "Option") pursuant to the share option agreement dated 9 May 2003 made between Cross-Harbour and Honway. As described in note (3) above, 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 20,630,015 new shares at the conversion price of HK\$3.90 per share (Note 6)	7.98%

Notes :

- (5) Honway held the convertible note with exercise period from 11 June 2002 to 11 June 2005. 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. As described in note (3) above, 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 total number of the underlying shares in respect of the convertible note changes from the First Year to the Third Year. The conversion price is 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, subject to adjustment.

All the interests disclosed above represent long positions in shares, underlying shares and debentures of the Company or Cross-Harbour. None of the directors of the Company had any short position in 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 2004.

SHARE OPTIONS

As at 30 June 2004, 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 Apr 2000	3 Apr 2000 to 2 Apr 2004	3 Apr 2000 to 2 Apr 2010	HK\$0.5860
<i>Other employees</i>					
	100,000	16 Jul 1996	16 Jul 1996 to 16 Jul 1999	16 Jan 1997 to 15 Jul 2006	HK\$0.9488
	300,000	3 Apr 2000	3 Apr 2000 to 2 Apr 2004	3 Apr 2000 to 2 Apr 2010	HK\$0.5860

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, the interests or short positions of the persons, other than directors of the Company, in 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 shares, underlying shares and debentures of the Company.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2004, had an interest or a short position in shares and underlying shares of the Company as recorded in the register kept under Section 336 of the SFO, other than as disclosed in the section headed "Directors' Interests in Securities" of this report.

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 Rules Governing the Listing of Securities 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 contributions during the period.

On behalf of the Board

Wong Chi Keung
Managing Director

Hong Kong, 17 September 2004

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2004

	Notes	For the six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
TURNOVER	2	46,560	52,661
Direct outgoings		(1,615)	(3,280)
Cost of properties sold		<u>(4,463)</u>	<u>(3,512)</u>
		40,482	45,869
Other revenue and gains (net of direct outgoings)		2,380	3,137
Administrative expenses		(6,601)	(6,556)
Other operating expenses, net		(1,616)	(4,000)
Finance costs		<u>(6,485)</u>	<u>(12,581)</u>
OPERATING PROFIT	3	28,160	25,869
Share of results of associates		20,089	13,053
Amortisation of goodwill on acquisition of an associate		<u>(6,599)</u>	<u>(6,896)</u>
PROFIT BEFORE TAX		41,650	32,026
Tax	4	<u>(9,521)</u>	<u>(6,722)</u>
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<u>32,129</u>	<u>25,304</u>
BASIC EARNINGS PER SHARE	5	<u>HK4.0 cents</u>	<u>HK3.2 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2004 and 31 December 2003

	<i>Notes</i>	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets	7	1,178	1,424
Investment properties	8	1,672,565	1,767,370
Property held for development		—	63,434
Interests in associates		801,648	797,673
Non-trading investments - unlisted equity securities		1,985	1,913
		<u>2,477,376</u>	<u>2,631,814</u>
CURRENT ASSETS			
Properties held for sale		1,890	6,300
Trade debtors	9	6,874	9,293
Other debtors, deposits and prepayments		17,873	52,725
Cash and bank balances		50,054	40,146
		<u>76,691</u>	<u>108,464</u>
CURRENT LIABILITIES			
Trade creditors	10	666	1,359
Other payables and accrued expenses		41,994	53,472
Bank loans, secured	11	223,500	356,000
Tax payable		3,529	1,437
		<u>269,689</u>	<u>412,268</u>
NET CURRENT LIABILITIES		<u>(192,998)</u>	<u>(303,804)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,284,378</u>	<u>2,328,010</u>

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

As at 30 June 2004 and 31 December 2003

	<i>Notes</i>	30 June 2004 (Unaudited) <i>HK\$'000</i>	31 December 2003 (Audited) <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Bank loans, secured	11	418,000	483,000
Deferred tax		11,775	9,801
		<u>429,775</u>	<u>492,801</u>
		<u>1,854,603</u>	<u>1,835,209</u>
CAPITAL AND RESERVES			
Issued share capital	12	79,716	79,716
Reserves		1,774,887	1,755,493
		<u>1,854,603</u>	<u>1,835,209</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Net cash inflow from operating activities	50,829	11,495
Net cash inflow/(outflow) from investing activities	168,536	(43,412)
Net cash (outflow)/inflow from financing activities	<u>(209,457)</u>	<u>13,500</u>
Increase/(decrease) in cash and cash equivalents	9,908	(18,417)
Cash and cash equivalents at beginning of period	<u>40,146</u>	<u>31,401</u>
Cash and cash equivalents at end of period	<u><u>50,054</u></u>	<u><u>12,984</u></u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u><u>50,054</u></u>	<u><u>12,984</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Unaudited six months ended 30 June 2004								
	Issued share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Non-trading investments revaluation reserve of associates HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
Group									
At 1 January 2004	79,716	94,535	1,350	1,800	1,321,935	8,620	315,296	11,957	1,835,209
2003 final dividend declared and paid	—	—	—	—	—	—	—	(11,957)	(11,957)
Share of non-trading investments revaluation reserve of associates	—	—	—	—	—	(778)	—	—	(778)
Net gains and losses not recognised in the condensed consolidated profit and loss account	—	—	—	—	—	(778)	—	—	(778)
Net profit for the period	—	—	—	—	—	—	32,129	—	32,129
At 30 June 2004	<u>79,716</u>	<u>94,535*</u>	<u>1,350*</u>	<u>1,800*</u>	<u>1,321,935*</u>	<u>7,842*</u>	<u>347,425*</u>	<u>—</u>	<u>1,854,603</u>
	Unaudited six months ended 30 June 2003								
	Issued share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Non-trading investments revaluation reserve of associates HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
Group									
At 1 January 2003	79,716	94,535	1,350	1,800	1,309,978	(16,229)	313,561	11,957	1,796,668
2002 final dividend declared and paid	—	—	—	—	—	—	—	(11,957)	(11,957)
Share of non-trading investments revaluation reserve of associates	—	—	—	—	—	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	<u>79,716</u>	<u>94,535*</u>	<u>1,350*</u>	<u>1,800*</u>	<u>1,309,978*</u>	<u>(16,000)*</u>	<u>338,865*</u>	<u>—</u>	<u>1,810,244</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,774,887,000 (2003: HK\$1,730,528,000) in the condensed consolidated balance sheet.

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 No. 25, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants. 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 2003.

NOTES TO INTERIM FINANCIAL STATEMENTS

2. SEGMENTAL INFORMATION

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

Group

	Turnover		Contribution to operating profit	
	For the six months ended 30 June		For the six months ended 30 June	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Property investment	38,706	45,093	33,418	39,282
Property management and related services	3,774	3,968	2,830	2,862
Property trading	4,080	3,600	(954)	(4,122)
Operation of driver training centres and tunnel operation and management	—	—	(948)	—
Others	—	—	299	428
	<u>46,560</u>	<u>52,661</u>	<u>34,645</u>	<u>38,450</u>
Finance costs			(6,485)	(12,581)
Operating profit			<u>28,160</u>	<u>25,869</u>
By geographical area:				
Hong Kong	46,560	52,661	28,877	25,659
Mainland China	—	—	(717)	210
	<u>46,560</u>	<u>52,661</u>	<u>28,160</u>	<u>25,869</u>

3. OPERATING PROFIT

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

	Group	
	For the six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	246	250
Outgoings in respect of other properties	50	164
Loss on deemed disposal of partial interest in an associate	948	—
Staff costs:		
Wages and salaries	3,511	3,433
Pension scheme contributions (defined contribution scheme)	133	141
	<u>3,644</u>	<u>3,574</u>
Interest expenses	6,185	12,308
Loss/(Gain) on disposal of properties held for sale	383	(88)
Gain on disposal of an investment property	(69)	—
Gain on disposal of a subsidiary	(11)	—
Interest income	<u>(1,711)</u>	<u>(2,311)</u>

NOTES TO INTERIM FINANCIAL STATEMENTS

4. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Group:		
Hong Kong	3,209	3,089
Deferred	1,974	2,208
	<u>5,183</u>	<u>5,297</u>
Share of tax attributable to associates	4,338	1,425
	<u>9,521</u>	<u>6,722</u>

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

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the period ended 30 June 2004 is based on the net profit attributable to shareholders for the period of HK\$32,129,000 (2003: HK\$25,304,000) and the weighted average of 797,157,415 (2003: 797,157,415) ordinary shares in issue during the period.

The diluted earnings per share amount for the periods ended 30 June 2004 and 2003 have not been shown as the share options outstanding during both periods had an anti-dilutive effect on the basic earnings per share for these periods.

6. DIVIDEND

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2004 (2003: Nil).

7. FIXED ASSETS

	Group (Unaudited) HK\$'000
Net book value:	
At 1 January 2004	1,424
Depreciation provided during the period	<u>(246)</u>
At 30 June 2004	<u><u>1,178</u></u>

8. INVESTMENT PROPERTIES

	Group (Unaudited) HK\$'000
Cost:	
At 1 January 2004	1,767,370
Additions	195
Disposals	<u>(95,000)</u>
At 30 June 2004	<u><u>1,672,565</u></u>

NOTES TO INTERIM FINANCIAL STATEMENTS

9. TRADE DEBTORS

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

	Group	
	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
0 - 30 days	894	627
31 - 60 days	95	1,652
61 - 90 days	588	1,136
Over 90 days	5,297	5,878
	<u>6,874</u>	<u>9,293</u>

Included in trade debtors are HK\$5,000,000 (31 December 2003: HK\$5,000,000) which represent proceeds receivable from property buyers and their settlement is based on payment schedule of the corresponding sale and purchase agreements.

The remaining balance of trade debtors of HK\$1,874,000 (31 December 2003: HK\$4,293,000) is primarily rental receivables from tenants which is normally due on the first day of the month.

10. TRADE CREDITORS

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

	Group	
	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
0 - 30 days	666	977
31 - 60 days	—	382
	<u>666</u>	<u>1,359</u>

11. BANK LOANS, SECURED

(a) Bank loans are repayable as follows:

	Group	
	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Within one year	223,500	356,000
In the second year	38,000	41,500
In the third to fifth year	165,200	215,100
After the fifth year	214,800	226,400
	<u>641,500</u>	<u>839,000</u>
Amounts classified under current liabilities	<u>(223,500)</u>	<u>(356,000)</u>
Amounts classified under non-current liabilities	<u><u>418,000</u></u>	<u><u>483,000</u></u>

(b) Pledge of assets

The bank loans are secured by mortgages on certain investment properties with an aggregate carrying value of HK\$1,665,124,000 (31 December 2003: HK\$1,760,000,000) 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

12. SHARE CAPITAL

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (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>

13. 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 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Contracted, but not provided for	30	12
Authorised, but not contracted for	<u>2,496</u>	<u>2,643</u>
	<u>2,526</u>	<u>2,655</u>

14. 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 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Within one year	70,505	77,306
In the second to fifth year, inclusive	41,894	53,393
	<u>112,399</u>	<u>130,699</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 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Within one year	236	634

NOTES TO INTERIM FINANCIAL STATEMENTS

15. 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 2004, provision of HK\$7.1 million (31 December 2003: HK\$7.1 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 totaling HK\$951,900,000 (31 December 2003: HK\$1,019,400,000), with respect to banking facilities made available to its subsidiaries, of which HK\$641,500,000 were utilised as at 30 June 2004 (31 December 2003: HK\$839,000,000).
- (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 prior to 31 December 1999 is approximately HK\$6.4 million as at 30 June 2004 (31 December 2003: HK\$7.8 million).

16. RELATED PARTY TRANSACTIONS

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

		Group For the six months ended 30 June	
	Notes	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Rental paid to a related company	(a)	467	468
Administrative staff costs paid to a shareholder	(b)	282	282
Interest income on convertible note issued by an associate	(c)	1,396	1,814
Purchase of a share option issued by an associate	(d)	—	50,000
		<u> </u>	<u> </u>

Notes:

- (a) A subsidiary of the Company, Y. T. Group Management Limited ("YTGML"), entered into a sub-lease agreement with Chongqing Industrial Limited ("Chongqing"), a controlling shareholder of Yugang International Limited ("Yugang"), a substantial shareholder of the Company, to lease office space for a period of one year commencing on 18 October 2003 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.
- (b) YTGML entered into an agreement with Yugang to share the cost of common administrative staff at a monthly charge which is determined based on actual cost of the staff from time to time.
- (c) 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\$3.5, HK\$3.7 and HK\$3.9 per share during the years ending 11 June 2003, 11 June 2004 and 11 June 2005, respectively.

NOTES TO INTERIM FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS *(continued)*

Notes: (continued)

- (d) 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 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, 24 June 2005 and 24 June 2006 respectively, up to a maximum of 60 million shares. 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 three-year interest-free unsecured term loan advanced by Honway to Cross-Harbour.

17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 17 September 2004.