

## 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs, which has resulted in the adoption of the following new/revised accounting policies.

### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the condensed financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the dividend reserve as at 1 January 2000 by HK\$79,595,000 and as at 1 January 2001 by HK\$79,595,000 respectively.

### **Provisions**

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has not had any significant effect on the results for the current or prior accounting periods.

### **Goodwill**

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Any goodwill arising on acquisitions after 1 January 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1 January 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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## Changes in accounting estimates

SSAP 31 "Impairment of Assets" is effective for periods beginning on or after 1 January 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets and investment properties. Although in prior years the Group complied with the requirements of specific accounting standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain property, plant and equipment, properties under development and interests in associates. Adoption of this SSAP has not had any significant effect on the results for the current or prior accounting periods.

## 3. TURNOVER AND SEGMENT INFORMATION

An analysis of turnover and contribution to profit from operations of the Group by business and geographical segment is as follows:

### Business Segments

	Turnover		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment	<b>64,555</b>	63,141	<b>52,486</b>	50,940
Property development	-	1,165	-	35
Property management	<b>8,362</b>	8,435	<b>3,151</b>	3,620
Insurance business	<b>14,761</b>	15,228	<b>3,201</b>	3,398
Trading and manufacturing businesses	<b>17,735</b>	23,839	<b>1,821</b>	2,220
Treasury investment	<b>40,374</b>	40,905	<b>31,850</b>	54,041
	<b><u>145,787</u></b>	<u>152,713</u>		
Profit from operations			<b><u>92,509</u></b>	<u>114,254</u>

### Geographical Segments

	Turnover		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>136,159</b>	139,684	<b>91,876</b>	113,260
Mainland China	<b>9,628</b>	13,029	<b>633</b>	994
	<b><u>145,787</u></b>	<u>152,713</u>		
Profit from operations			<b><u>92,509</u></b>	<u>114,254</u>

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## 4. PROFIT FROM OPERATIONS

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	<b><u>2,309</u></b>	<u>2,198</u>
Investment income	<b><u>(36,256)</u></b>	<u>(40,792)</u>
Loss (profit) on disposal of investments	<b><u>1,572</u></b>	<u>(113)</u>
Profit on disposal of properties	<b><u>-</u></b>	<u>(387)</u>

## 5. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Hong Kong Profits Tax:		
The Company and its subsidiaries	<b>10,092</b>	4,784
Associates	<b><u>19,094</u></b>	<u>21,539</u>
	<b><u>29,186</u></b>	<u>26,323</u>
Overseas Income Tax:		
The Company and its subsidiaries	<b>765</b>	14
Associates	<b><u>79</u></b>	<u>228</u>
	<b><u>844</u></b>	<u>242</u>
	<b><u>30,030</u></b>	<u>26,565</u>

Hong Kong Profits Tax is calculated at 16% of the estimated profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 6. DIVIDENDS

On 27 April 2001, a dividend of HK\$0.21 per share (2000: HK\$0.21 per share) was paid to shareholders as the final dividend for 2000.

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The directors have determined that an interim dividend of HK\$0.10 per share (2000: HK\$0.14 per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 14 September 2001.

## 7. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of HK\$140,532,000 (2000: HK\$182,494,000) and on the 379,025,440 (2000: weighted average number of 379,028,534) ordinary shares in issue during the period.

## 8. TRADE AND OTHER RECEIVABLES

The Group operates a controlled credit policy and allows an average credit period of 30 days to its trade customers who satisfy the credit evaluation. The ageing analysis of trade receivables of HK\$36,195,000 (31 December 2000: HK\$52,238,000) which are included in trade and other receivables is as follows:

	<b>30 June 2001</b>	31 December 2000
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>24,636</b>	39,086
31-90 days	<b>6,253</b>	6,364
Over 90 days	<b>5,306</b>	6,788
	<b><u>36,195</u></b>	<u>52,238</u>

Other receivables comprise deposits paid, prepayments and other debtors which include the current portion of the amount due from a former subsidiary.

## 9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$37,944,000 (31 December 2000: HK\$33,664,000) and the ageing analysis is as follows:

	<b>30 June 2001</b>	31 December 2000
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>27,490</b>	23,860
31-90 days	<b>7,244</b>	7,931
Over 90 days	<b>3,210</b>	1,873
	<b><u>37,944</u></b>	<u>33,664</u>

## 10. BORROWINGS

During the period, the Group had obtained and renewed bank loans in the amount of HK\$578,000,000. The loans bear interest at market rates and are repayable in instalments over a period of 1 to 3 years. The proceeds were used for general working capital purposes.

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## 11. RESERVES

	Capital reserve	General reserve	Inner reserve	Investment property revalua- tion reserve	Other property revalua- tion reserve	Invest- ment revalua- tion reserve	Capital redemp- tion reserve	Exchange reserve	Dividend reserve	Accu- mulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2000											
– as originally stated	432,349	704,047	79,448	537,825	2,030,649	4,849	2,454	(4,944)	–	1,477,186	5,263,863
– prior period adjustment (Note 2)	–	–	–	–	–	–	–	–	79,595	–	79,595
– as restated	432,349	704,047	79,448	537,825	2,030,649	4,849	2,454	(4,944)	79,595	1,477,186	5,343,458
Share of surplus on revaluation of investments of associates	–	–	–	–	–	23,147	–	–	–	–	23,147
Exchange differences arising on translation of overseas operations	–	–	–	–	–	–	–	(662)	–	–	(662)
Goodwill arising on acquisition of additional interest in a subsidiary	(1,664)	–	–	–	–	–	–	–	–	–	(1,664)
Net surplus on revaluation	–	–	–	78,608	170	–	–	–	–	–	78,778
Share of surplus on revaluation of properties of associates	–	–	–	–	10,666	–	–	–	–	–	10,666
Share of exchange translation differences of associates	–	–	–	–	–	–	–	929	–	–	929
Eliminated on disposal of a subsidiary	(85)	–	–	–	–	–	–	(1,757)	–	–	(1,842)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	–	370,576	370,576
Dividend declared	–	–	–	–	–	–	–	–	132,659	(132,659)	–
Dividend paid	–	–	–	–	–	–	–	–	(132,659)	–	(132,659)
Cancellation on repurchase of own shares	–	–	–	–	–	–	56	–	–	(278)	(222)
At 1 January 2001	430,600	704,047	79,448	616,433	2,041,485	27,996	2,510	(6,434)	79,595	1,714,825	5,690,505
Exchange differences arising on translation of overseas operations	–	–	–	–	–	–	–	(1,053)	–	–	(1,053)
Share of deficit on revaluation of investments of associates	–	–	–	–	–	(9,389)	–	–	–	–	(9,389)
Share of exchange translation differences of associates	–	–	–	–	–	–	–	(1,587)	–	–	(1,587)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	–	140,532	140,532
Dividend declared	–	–	–	–	–	–	–	–	37,903	(37,903)	–
Dividend paid	–	–	–	–	–	–	–	–	(79,595)	–	(79,595)
At 30 June 2001	430,600	704,047	79,448	616,433	2,041,485	18,607	2,510	(9,074)	37,903	1,817,454	5,739,413

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## 12. CAPITAL COMMITMENTS

	<b>30 June 2001</b> <b>HK\$'000</b>	31 December 2000 HK\$'000
Capital expenditure in respect of property development expenditure contracted for but not provided in the condensed financial statements	<b>319,090</b>	227,758
Capital expenditure in respect of the contributions to the capital of an investee company contracted for but not provided in the condensed financial statements	<b>70,828</b>	70,701
Capital expenditure in respect of renovation works of investment properties contracted for but not provided in the condensed financial statements	<b>304</b>	2,250
	<b><u>390,222</u></b>	<b><u>300,709</u></b>

## Interim Dividend

The Directors have resolved to declare an interim dividend for 2001 of HK\$0.10 (2000: HK\$0.14) per share, payable on 19 September 2001 to the shareholders registered on 14 September 2001.

The Register of Members will be closed from 10 September 2001 to 14 September 2001, both dates inclusive. In order to qualify for the interim dividend, all share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 7 September 2001.

## Management Discussion and Analysis

### Banking Operation

As the dust settles after the bursting of the internet bubble, Hong Kong's investment sentiment has remained very quiet. The string of interest rate cuts did provide a short relief by inducing a few, brief surges of activity in the property market. However, overall loan demand was lower than the same period last year, reflecting the global slowdown. Hence for the first six months of the year 2001, Hong Kong's banking industry operated under a very competitive environment.

For the first half of the year 2001, the Group's share of profit before tax from banking associate, Liu Chong Hing Bank Limited (the "Bank") was HK\$110,426,000, representing a 14% decrease over the previous year.

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## **Property Investment and Development**

### *Investment Properties*

The property market staged a brief rally in the first couple of months in 2001, lifted by a string of interest rate cuts. However, this rally was short-lived as the interest rate cuts failed to lift consumer sentiment while business outlook remained bleak. Consequently, we saw the overall sales and rental price indexes trending lower over the first half of the year. Despite this environment, the Group has maintained above 90% occupancy rates in its investment property portfolio. Bucking the trend, rental income for this period increased by 3%, compared to the same period last year.

Chong Hing Square, a popular ginza-type retail development situated in the heart of Mongkok, Kowloon, offers 184,000 sq.ft. of retail and recreational space. Over the first six months of 2001, this 20-storey building has maintained a 95% occupancy rate despite the difficult retail environment.

Chong Yip Shopping Centre, located in the heart of Western District, Hong Kong, provides 41,000 sq.ft. of retail space. This shopping centre, perhaps the most popular in that area, has maintained an 80% occupancy rate over the first six months of 2001, and efforts are being made to renovate it so as to attract higher rentals and occupancy.

Western Harbour Centre, a commercial building at No. 181, Connaught Road West, Hong Kong, is a 28-storey building that offers 140,000 sq.ft. of office space with stunning harbour view. This property is conveniently located close to the entrance of the Western Harbour Tunnel and has maintained over 95% occupancy rate.

Fairview Villa, a 6-unit luxury low-rise apartment building at No. 94 Repulse Bay Road has been recently renovated. The Group owns five units of this development, and currently, four units have been let.

Liu Chong Hing Bank Building has been 90% let. Situated in the heart of Central on No. 24 Des Voeux Road, this is the flagship property of the Group. Plans being made to re-develop this site and construction works are scheduled to commence in the 4th quarter of 2002.

### *Development Properties*

Le Palais, the Group's luxury residential development on Donghu Road, Dongshan District, Guangzhou, is expected to reach completion by September 2001. With a gross floor area of 1,500,000 sq.ft., this project will provide 844 luxury apartment units and 300 car park spaces. Pre-sale of this development has commenced and so far 10% of this development has been sold.

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The Belcher's, the Group's joint venture project with Shun Tak Holdings Ltd, Sun Hung Kai Properties Ltd, and New World Development Company Ltd. In response to the wave of interest rate cuts, both Phase I and Phase II of this development have attracted a good number of buyers and more than half of this development has been sold up to date.

The Group's re-development of Fairview Villa in Kau To Shan, arguably the most prestigious area of Shatin, New Territories, has adhered closely to schedule. Along with swimming pool and clubhouse facilities, this luxury development consists of a total of 10 single and 22 semi-detached houses, each with individual garden. The Group intends to sell this property on completion, which is expected to be by the middle of 2002.

The Group's development of a grade-A commercial office building in Nanjing Xilu, Shanghai, has finished foundation works. The project is expected to be completed by the end of 2003. This property will provide 594,000 sq.ft. of commercial and office space in one of the most prime business locations of Shanghai, China.

### *Property Management*

Apart from managing its own properties, the Group also actively engages in property management business. The Group presently manages over a dozen developments located all over Hong Kong, Kowloon and New Territories. Although the property management business has performed satisfactorily over the first half of the year 2001, competitive pricing in the industry has reduced profit from operations by 13%. The Group intends to expand this area of business in the future to bring in more recurring income.

### *Insurance Business*

The Group's insurance business faced a more competitive environment in the year 2001, and profit fell by 6% compared to the same period last year. We expect the insurance business to continue to perform steadily for the remainder of the year.

### *Capital structure*

The Group's shareholders' funds as at 30 June 2001 amounted to HK\$6,118 million, representing an increase of HK\$50 million when compared with year ended 31 December 2000. The increase in shareholders' funds was due to the increase of retained earnings of HK\$140 million for the 1st half of year and after deducting the proposed dividend for 2000 of HK\$80 million and share of investment revaluation loss of HK\$10 million respectively.

### *Finance and treasury operations*

As at 30 June 2001, the Group's consolidated net debts being bank borrowings less cash and bank deposits, amounted to HK\$2,317 million. The increase of total bank borrowings



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was applied to the construction cost of various development projects. However, the Group has maintained a low debt-to-equity ratio of 38% as of the balance sheet date.

The management is well aware that a higher gearing level will not only undermine the Company's long-term stability but also will restrict its flexibility for any new business venture. Given that the management do not intend to make any new investment within the near future until completion of various major development projects.

On the other hand, we expect that the total bank debts will be reduced significantly upon completion of Fairview Villa, The Belcher's and Guangzhou's residential projects.

During the period ended, the management has successfully renewed half of the existing bank borrowings, by shifting the higher-interest loans to lower-interest loans, resulted in a saving to the Company's cost of funding.

Almost all of the Group's borrowings are in Hong Kong dollars and the interest rates are set on floating rate basis. For this reason, the Company's interest expenses will be reduced in line with the global reduction of interest rate. As at 30 June 2001, about one-fifth of total bank borrowings are entered into interest hedging instrument so as to avoid interest rate volatility and uncertainty. Given the above arrangement, the Group's management is confident about the management of currency and interest rate risk.

## **Looking Ahead**

For the first half of the year 2001, weak business and consumer sentiment continued to sag on Hong Kong's economy. As a result, both property and stock markets have been mostly depressed. However, looking forward, we believe the light at the end of the tunnel will grow stronger as China's ascension into the World Trade Organization nearing. The victory of Beijing to win the rights to hold the 2008 Olympic Games is further testimony to China's resolve to re-affirm itself as a dominant force on the global economic picture. Therefore, we believe the future prospects of both China and Hong Kong will be laid with many golden opportunities. Therefore, it is in this spirit that the Group will continue to explore new business ventures to enhance profitability and shareholder value.

## **Purchase, Sale or Redemption of Shares**

During the six months ended 30 June 2001, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares in the Company.

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## Directors' Interests in Share Capital of the Company and its Associated Corporations

As at 30 June 2001, the beneficial interests of the Directors and Chief Executive of the Company and of their associates in the shares of the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

(a) The Company

Name of Directors	Number of ordinary shares held			
	Personal Interests	Family Interests	Corporate Interests	Total Interests
Mr. Liu Lit Man <i>Chairman</i>	4,991,200	–	171,600,000 (Note 1)	176,591,200
Mr. Liu Lit Mo <i>Managing Director</i>	11,518,000	–	171,600,000 (Note 1)	183,118,000
Mr. Liu Lit Chi	141,668	–	216,864,222 (Notes 1 & 2)	217,005,890
Mr. Peter Alan Lee Vine	24,000	–	–	24,000
Mr. Peter Ng Ping Kin	36,000	–	–	36,000
Mr. Liu Lit Chung	–	–	171,600,000 (Note 1)	171,600,000
Mr. Andrew Liu	600,000	–	–	600,000
Mr. Winston Liu Kam Fai	244,607	–	–	244,607

Note 1 171,600,000 shares in the Company are beneficially held by Liu's Holdings Limited, of which Messrs. Liu Lit Man, Liu Lit Mo, Liu Lit Chi and Liu Lit Chung are amongst its shareholders. The above numbers of shares are duplicated for each of these directors.

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Note 2 Alba Holdings Limited, of which Mr. Liu Lit Chi and his associates are shareholders, beneficially holds 45,264,222 shares in the Company, and thus is included in the corporate interests of Mr. Liu Lit Chi.

(b) Associate

Liu Chong Hing Bank Limited

Name of Directors	Number of ordinary shares held			
	Personal Interests	Family Interests	Corporate Interests	Total Interests
Mr. Liu Lit Man <i>Chairman &amp; Managing Director</i>	3,447,928	–	236,233,628 (Note 1)	239,681,556
Mr. Liu Lit Mo <i>Vice Chairman</i>	1,009,650	–	236,233,628 (Note 1)	237,243,278
Mr. Liu Lit Chi	313,248	–	238,496,839 (Notes 1 & 2)	238,810,087
Mr. Peter Alan Lee Vine	1,200	–	–	1,200
Mr. Liu Lit Chung	173,000	–	236,233,628 (Note 1)	236,406,628
Mr. Andrew Liu	60,000	–	–	60,000

Note 1 The corporate interests in 236,233,628 shares attributed as follows:

- (i) 196,233,628 shares held by Liu Chong Hing Estate Company, Limited (“Liu Chong Hing Estate”), a wholly owned subsidiary of the Company, in which each of Messrs. Liu Lit Man, Liu Lit Mo, Liu Lit Chi and Liu Lit Chung is deemed under the SDI Ordinance to be interested; and

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- (ii) 40,000,000 shares held by The Bank of Tokyo-Mitsubishi, Limited (“Bank of Tokyo-Mitsubishi”). Pursuant to an agreement in 1994, Bank of Tokyo-Mitsubishi has granted an option to Liu Chong Hing Estate exercisable at any time during the term of that agreement to purchase all such shares and Bank of Tokyo-Mitsubishi is required to offer to sell all such shares to Liu Chong Hing Estate in certain circumstances. By virtue of the interests of Messrs. Liu Lit Man, Liu Lit Mo, Liu Lit Chi and Liu Lit Chung in Liu Chong Hing Estate, each of them is deemed under the SDI Ordinance to be interested in such shares.

Note 2 2,263,211 shares are held by Alba Holdings Limited, shareholders of which include Mr. Liu Lit Chi and his associates. Accordingly, Mr. Liu Lit Chi is deemed under the SDI Ordinance to be interested in such shares.

Save as disclosed herein, none of the Directors or Chief Executive had any interest in the equity securities of the Company or any associated corporation (within the meaning of the SDI Ordinance) as record in the Register required to be kept under Section 29 of the aforesaid Ordinance.

## **Substantial Shareholders**

The register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that at 30 June 2001 the Company had not been notified of interest, being ten per cent. or more of the issued share capital of the Company, save and except as disclosed under Directors’ interests in share capital of the Company.

## **Code of Best Practice**

The Company has complied throughout the six months ended 30 June 2001 with those paragraphs of the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with which it is required to report compliance.

By Order of the Board

**Liu Lit Mo**

*Managing Director*

Hong Kong, 16 August 2001