The Directors are pleased to present the Group's interim report and condensed accounts for the six months ended 30 June 2001. The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses of the Group for the six months ended 30 June 2001, and the consolidated balance sheet as at 30 June 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 8 to 24 of this report.

BUSINESS REVIEW AND PROSPECTS

The Group's consolidated profit after taxation for the first six months of 2001 was HK$39.6 million which is 60.2% higher than the corresponding period in 2000. Earnings per share for the first six-month period of 2001 amounted to HK$0.05 (2000: HK$0.033).

Gross rental income from investment properties for the half-year ended 30 June 2001 amounted to HK$62.9 million, down 12.4% from the HK$71.8 million for the corresponding period last year. This was primarily due to loss of rental after the sale of 100 Canton Road in January 2001.

The leasing market of commercial properties, especially for offices, during the first half of 2001 was rather difficult. Consolidation of information technology and communication sectors coupled with a substantial retreat in new demand has contributed to an upsurge of vacancies in the secondary office market. Rental rates have started to decline and such downward adjustment of rental, we believe, will unlikely to be eased for the rest of 2001 and the coming year. Despite these difficult and competitive conditions in the commercial property market, we have been able to maintain a relatively high level of occupancy rate of over 95% for our major properties. This, we believe, is due mainly to the favourable location of the properties, our established policy of implementing effective up-keeping programmes to buildings as well as quality services being provided to our tenants.

Irrespective of the negative impact, slow down of market in the first half of the year did provide us with a good opportunity to implement improvements to our buildings as well as the management services, both of which would otherwise be more costly to commission during boom time. In April, one of the major face-lifting works was given to the main lobby and facade of Century Square, our major investment in Central district. This improvement work which was successfully completed in July was well received by the market. This can be reflected in the subsequent increase in the take-up rates. On the other hand, a quality management service accreditation programme was also committed, which we believe will not only add value to our properties but will also raise management efficiency and reduce cost of business operations.

In the Mainland, the Group is pleased to announce that the disposal of the interest in Maxdo Investments Limited, the major underlying asset of which being the site of Phase II of Peace Garden in Shanghai, has just been completed. In addition, a substantial portion of our property interests in Shun Hing Square in Shenzhen was also disposed of in May 2001. We shall continue to consolidate our property portfolio by disposing the non-core property interests in both the Mainland China as well as Hong Kong. Such task may not be easy in view of the weak investment market in both places. However, we shall continue to explore ways and means to achieve this objective.

In March 2001, the Group invested over HK$600 million to acquire 51,755,924 shares of The Cross-Harbour (Holdings) Limited ("CHH"), a listed company in The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). CHH owns 37% stake in the Western Harbour Tunnel, 70% equity in three motoring schools in Hong Kong and jointly owns 50% interest of Autotoll Limited with Transcore Group, a leading American company in transport management and facility. The Board of Directors will treat such acquisition as a long-term investment which will provide stable recurrent income for the Group for the many years to come.

The Group's financial expenses for the first six months of the year amounted to HK$31.3million, down 21.7% from HK$40.0 million for the same period last year. The decrease in financial expenses was due mainly to drop of interest rates.

As at 30 June 2001, the level of total bank borrowings has not changed materially since last year end date. Certain investment properties and properties held for sale with aggregate carrying value of HK$1,909 million were pledged to secure loan facilities utilized by subsidiaries. Term loan installments repayable within 1 year is HK$34 million. The gearing ratio, which is calculated as the ratio of net bank borrowings to shareholders' funds, is 49.5%. With cash and available banking facilities, 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 fluctuation.

As at 30 June 2001, contingent liabilities have not changed significantly since last year end date except that the court case regarding the sale of Century Square as disclosed in the 2000 annual report was finalized in the Group's favour during the period.

In summary, we echo those financial analysts' forecast that the uncertain economic outlook in 2001 will continue to cause softness virtually in all sectors of the real estate market. However, it is possible that there will be more activities in the office leasing market in the second half of 2001, stimulated by more attractive rental packages by landlords and companies starting to make decisions about future plans. It is widely believed that the positive effect of the past seven consecutive interest rate cuts will emerge in the second half of 2001. We will capture these opportunities to bring more viable transactions to our properties for the rest of the year for which rental from investment properties will continue to be a main source of income. On the whole, the Group remains optimistic about the future economic development of Hong Kong which will continue to be our base of operation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2001, the interests of directors and chief executive in the shares of the Company as recorded in the register required to be kept under section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:—

	Number of ordinary shares			
Name of director	Personal interests	Family interests	Corporate interests	Other interests
Mr. Cheung Chung Kiu	—	—	(Note)	—

Note:
273,000,000 shares of the Company were beneficially owned by Funrise Limited, a wholly owned subsidiary of Yugang International Limited ("Yugang"). Yugang is owned as to 0.63% by Mr. Cheung Chung Kiu and as to 37.79% by Chongqing Industrial Limited ("Chongqing"). Chongqing is owned as to 35% by Mr. Cheung Chung Kiu, as to 30% and 5% respectively by Peking Place Limited and Miraculous Services Limited (companies controlled by Palin Discretionary Trust, the objects of which include Mr. Cheung and his family) and as to 30% by Prize Winner Limited which is owned by Mr. Cheung and his associates.

Apart from the above, none of the directors and chief executive (including their spouses and children under 18 years of age) had any beneficial interests or other interests in the shares of the Company or any of its subsidiaries or associated corporations as recorded in the register required to be kept under section 29 of the SDI Ordinance or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of share options granted to the directors and chief executive of the Company, pursuant to the Company's Share Option Scheme, are as follows:—

Name of director	Date of grant	Exercise price per share *HK$*	Exercise period	Number of options
Mr. Wong Chi Keung, Dickie	3 April 2000	0.5860	3 April 2000 to 2 April 2010	2,000,000

The options are exercisable in stages during the relevant exercise periods. No options were exercised by the directors and employees during the period.

Apart from the aforesaid, at no time during the period was the Company, or any of its subsidiaries, or any of its fellow subsidiaries, or its holding company, a party to any arrangements to enable the directors and chief executive of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate as recorded in the register required to be kept under section 29 of the SDI Ordinance or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 30 June 2001, the register required to be kept under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed as corporate interests of Mr. Cheung Chung Kiu above, the Company has been notified by Mr. Chan Chun Wai that he was interested, in aggregate, in 123,293,201 shares of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, the Company has not redeemed any of the Company's shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Code of Best Practice has been complied with by the Company during the period except that for the period from 1 January 2001 to 24 May 2001, the non-executive directors are not appointed for a specific term as recommended under the Listing Rules Appendix 14 Guidelines.

STAFF

At 30 June 2001, the Group employed a total staff of 45. Staff remuneration is reviewed by the Group from time to time and increases are normally granted annually or by special adjustment depending on length of service and performance where warranted. 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.