



Ryoden Development Limited
(Incorporated in Bermuda with limited liability)

2001

Interim
Report



REVIEW OF OPERATIONS

The unaudited consolidated net profit of Ryoden Development Limited (the "Company") and its subsidiaries (the "Group") attributable to shareholders for the six months ended 30th June, 2001 amounted to HK\$5,376,000, compared with an attributable net loss of HK\$16,650,000 for the corresponding period last year. The improved profitability was mainly due to lower interest expenses, disposal of a loss-making subsidiary and cost-saving measures. The Directors do not recommend the payment of any interim dividend in respect of the six months ended 30th June, 2001.

Notwithstanding the seven consecutive interest rate cuts, Hong Kong's property market was still in the doldrums during this period. An abundant supply of newly completed residential properties, including units built under the Home Ownership Scheme ("HOS"), adversely affected the prices of small and medium-sized residential units. The trend towards improved office rental was affected by weakened demand from telecommunication and information technology companies, and the retail and commercial property market remained weak due to depressed private consumption.

In Mainland China, demand for residential units improved as a result of both the Government's policy in promoting private home ownership and the availability of mortgage loans from commercial banks. Demand for office space benefited from the booming economy and China's imminent entry to the World Trade Organization, but retail and commercial properties continued to be affected by an ample supply of shopping centres.

During the first six months of the year, the Group continued the construction of Hilary Court in Bonham Road, Delight Court in To Kwa Wan and Merit Place in Tai Po, together with the marketing of the remaining units of Nerine Cove in Tuen Mun. Of the Group's investment properties, Manulife Tower was almost fully let, while Laford Centre and the office portion of New Kowloon Plaza enjoyed occupancy of 96% and 90% respectively.

In Mainland China, a joint-venture company in which the Group has a minority interest reached an agreement in March with Guangzhou Metro Corporation to terminate the development above the Huang Sha Metro Station. In May, the Group completed the sales of its interest in Shanghai Square and utilised the sale proceeds to reduce its bank borrowings. During the past few months, the Group was finalizing its development plan for Phase III of Gateway Plaza in Shanghai.

Parkland Property Management Limited ("Parkland"), the Group's property management arm, successfully expanded its business during the period. Parkland benefited from the Government Service Contract Out Scheme by participating in the tenders for various public management contracts and successfully secured two contracts with the Hong Kong Housing Authority for the provision of a rental collection service for a total of over 3,700 units in two public housing estates.

Saggio Holdings Limited ("Saggio"), the Group's associated company engaging in the distribution of office and computer accessories in the Asia Pacific region, continued to suffer losses during the period due to the slow economy. In order to support the regional expansion, Saggio raised additional capital by issuing new shares to existing shareholders for cash, resulting in a dilution of the Group's interest in Saggio from 40.7% to 34.7%.

OUTLOOK

Due to continued weakness in Hong Kong's property market and the change in supply-and-demand equilibrium of the residential property market, the Hong Kong Government has recently announced various adjustments to its housing policy. These include the suspension of sales of HOS flats until the end of June 2002, the reduction of the annual supply of HOS flats to 9,000 units per year up to 2005/2006, and increases in the Home Purchase Loan Scheme quota. These developments are expected to stabilize the declining trend in the local residential property market.

With its forthcoming accession to the World Trade Organization, the development of its Western Region and the successful bid by Beijing to host the 2008 Olympic Games, the prospects for economic development in Mainland China are encouraging, and should have a positive impact on property markets there. Because of benefits from increasing private home ownership and new foreign investments, the subsequent demand for residential and office properties in prime locations is expected to increase.

In view of current negative sentiment in Hong Kong's property market, the Group will continue its prudent approach when selecting new investment projects, and focus on the marketing of Hilary Court and remaining units in various development projects during the coming months. In Mainland China, the Group intends to expedite the development plan for Phase III of Gateway Plaza upon obtaining the necessary Government approval, in order to take advantage of the improved residential property market in Shanghai.

INTERIM RESULTS

The Directors of the Company present that the unaudited consolidated results of the Group for the six months ended 30th June, 2001, together with the comparative figures for the corresponding period in 2000 are as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

		Unaudited Six months ended 30th June,	
	Note	2001 HK\$'000	2000 HK\$'000
Turnover	(2)	414,161	62,082
Cost of sales and services		<u>(360,930)</u>	<u>(23,659)</u>
Gross profit		53,231	38,423
Other revenues		4,425	2,533
Selling expenses		(202)	(242)
Administrative expenses		<u>(17,659)</u>	<u>(20,156)</u>
Operating profit	(3)	39,795	20,558
Finance costs	(4)	(26,898)	(39,381)
Share of results of			
Associated companies		(7,689)	(7,282)
Jointly controlled company		21	21
Profit/(loss) before taxation		5,229	(26,084)
Taxation	(5)	<u>(1,198)</u>	<u>(1,210)</u>
Profit/(loss) after taxation		4,031	(27,294)
Minority interests		<u>1,345</u>	<u>10,644</u>
Profit/(loss) attributable to shareholders		<u>5,376</u>	<u>(16,650)</u>
Earnings/(loss) per share (cents)	(6)	<u>0.48</u>	<u>(1.48)</u>

CONDENSED CONSOLIDATED BALANCE SHEET AT 30TH JUNE, 2001 AND 31ST DECEMBER, 2000

	Note	Unaudited 30th June, 2001 HK\$'000	Audited 31st December, 2000 HK\$'000
ASSETS			
Non-current assets			
Fixed assets	(7)	1,504,768	2,102,441
Properties under development		135,996	125,330
Associated companies		364,067	369,812
Jointly controlled company		783	775
Investment		57,611	33,170
Loans receivable		2,820	4,312
Cash and bank balances		1,709	2,663
		<u>2,067,754</u>	<u>2,638,503</u>
Current assets			
Properties under development		214,477	196,431
Completed properties for sale		25,496	188,794
Current portion of loans receivable		888	1,353
Accounts receivable and prepayments	(8)	20,983	28,380
Tax recoverable		-	778
Cash and bank balances		193,294	32,238
		<u>455,138</u>	<u>447,974</u>
Total assets		<u>2,522,892</u>	<u>3,086,477</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	(10)	563,171	563,171
Reserves	(11)	1,287,771	1,277,146
		<u>1,850,942</u>	<u>1,840,317</u>
Minority interests and loans		48,921	246,329
Long term liabilities	(12)	276,500	791,291
Current liabilities			
Customer and rental deposits		17,127	26,153
Accounts payable and accruals	(9)	57,187	106,017
Amounts due to related companies		325	370
Taxation		3,543	-
Current portion of long term liabilities	(12)	268,347	76,000
		<u>346,529</u>	<u>208,540</u>
Total equity and liabilities		<u>2,522,892</u>	<u>3,086,477</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

		Unaudited Six months ended 30th June,	
	Note	2001 HK\$'000	2000 HK\$'000
Net cash outflow from operating activities	(16)	<u>(1,037)</u>	<u>(27,662)</u>
Returns on investments and servicing of finance			
Interest paid		(29,003)	(42,339)
Interest received		<u>1,372</u>	<u>1,491</u>
Net cash outflow from returns on investments and servicing of finance		<u>(27,631)</u>	<u>(40,848)</u>
Taxation			
Hong Kong profits tax paid		<u>(565)</u>	<u>(1,914)</u>
Investing activities			
Additions to other fixed assets and investment properties		(275)	(3,508)
Additional investment in a subsidiary		(28)	-
Disposal of a subsidiary, less expenses		338,547	-
Advance to the investee company		<u>(24,441)</u>	<u>(12,011)</u>
Investments in and advances to associated companies and jointly controlled company		(653)	(5,978)
Receipts from repayment of loans made to associated companies		7,398	13,502
Repayment of loans receivable		<u>1,957</u>	<u>5,602</u>
Net cash inflow/(outflow) from investing activities		<u>322,505</u>	<u>(2,393)</u>
Net cash inflow/(outflow) before financing		<u>293,272</u>	<u>(72,817)</u>
Financing			
New loans		196,838	263,976
Repayment of loans		(336,000)	(250,184)
Advance of loans from minority shareholders		5,992	33,335
Decrease in restricted bank balances		<u>954</u>	<u>12,260</u>
Net cash (outflow)/inflow from financing		<u>(132,216)</u>	<u>59,387</u>
Increase/(decrease) in cash and bank balances		<u>161,056</u>	<u>(13,430)</u>
Cash and bank balances at 1st January		<u>32,238</u>	<u>80,913</u>
Cash and bank balances at 30th June		<u><u>193,294</u></u>	<u><u>67,483</u></u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

		Unaudited Six months ended 30th June,	
	Note	2001 HK\$'000	2000 HK\$'000
Exchange differences arising on translation of the financial statements of foreign subsidiaries, associated companies and jointly controlled company	(11)	<u>86</u>	<u>1,545</u>
Net gains not recognised in the profit and loss account		86	1,545
Profit/(loss) for the period	(11)	5,376	(16,650)
Less: Realisation of exchange reserve upon disposal of a subsidiary to the profit and loss account	(11)	<u>(1,690)</u>	<u>-</u>
Total recognised gains/(losses)		3,772	(15,105)
Goodwill written-back on deemed disposal of interests in an associated company	(11)	<u>6,853</u>	<u>-</u>
		<u>10,625</u>	<u>(15,105)</u>

NOTES TO THE ACCOUNTS

(1) Basis of Preparation and Accounting Policies

These unaudited consolidated condensed interim accounts ("the Accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules.

The Accounts should be read in conjunction with the 2000 annual financial statements.

The accounting policies and methods of computation used in the preparation of the Accounts are consistent with those used in the annual accounts for the year ended 31st December, 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs which are effective for accounting periods commencing on or after 1st January, 2001:

- SSAP 9 (revised): Events after the balance sheet date
- SSAP 26: Segment reporting
- SSAP 30: Business combinations

NOTES TO THE ACCOUNTS

(1) Basis of Preparation and Accounting Policies *(Continued)*

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 9 (revised): Events after the balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has no effect on the comparatives presented.

(b) SSAP 26: Segment Reporting

In Note 2 to the Accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

(c) SSAP 30: Business Combinations

Goodwill/Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries/ associated companies/jointly controlled company at the date of acquisition. Goodwill on acquisitions occurring on or after 1st January, 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January, 2001 was written off against reserves. Pursuant to the transitional provisions in SSAP 30, such goodwill has not been retroactively capitalised and amortised.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately. For acquisitions prior to 1st January, 2001, negative goodwill was taken directly to reserves on acquisition. Pursuant to the transitional provisions in SSAP 30, such negative goodwill will not be restated.

NOTES TO THE ACCOUNTS

(2) Turnover and Segment Information

- (a) The Group is principally engaged in property investment and development, project management and property management.

An analysis of the Group's turnover and results for the period by principal activities is as follows:

Six months ended 30th June, 2001					
	Sale of properties and property interests HK\$'000	Property letting HK\$'000	Property and project management HK\$'000	Distribution of office supplies and computer accessories HK\$'000	Total HK\$'000
Segment turnover	<u>344,412*</u>	<u>46,185</u>	<u>23,564</u>	<u>-</u>	<u>414,161</u>
Segment results	<u>445</u>	<u>36,544</u>	<u>8,266</u>	<u>-</u>	<u>45,255</u>
Interest income					1,538
Unallocated corporate expenses					<u>(6,998)</u>
Operating profit					39,795
Finance costs					<u>(26,898)</u>
Share of results of					
Associated companies	(743)	4,962		(11,908)	(7,689)
Jointly controlled company			21		<u>21</u>
Profit before taxation					<u>5,229</u>

* included proceeds from sale of interest in a subsidiary which owned a 60% interest in Shanghai Square, amounting to HK\$341.5 million.

Six months ended 30th June, 2000					
	Sale of properties and property interests HK\$'000	Property letting HK\$'000	Property and project management HK\$'000	Distribution of office supplies and computer accessories HK\$'000	Total HK\$'000
Segment turnover	<u>6,541</u>	<u>46,109</u>	<u>9,432</u>	<u>-</u>	<u>62,082</u>
Segment results	<u>(6,246)</u>	<u>25,723</u>	<u>6,838</u>	<u>-</u>	<u>26,315</u>
Interest income					1,475
Unallocated corporate expenses					<u>(7,232)</u>
Operating profit					20,558
Finance costs					<u>(39,381)</u>
Share of results of					
Associated companies	(1,384)	3,781		(9,679)	(7,282)
Jointly controlled company			21		<u>21</u>
Loss before taxation					<u>(26,084)</u>

Inter-segment sales are immaterial for the six months ended 30th June, 2001 and 2000.

NOTES TO THE ACCOUNTS

(2) Turnover and Segment Information (Continued)

(b) An analysis of the Group's turnover and contribution to operating profit for the period by geographical distribution is as follows:

	Six months ended 30th June, 2001		Six months ended 30th June, 2000	
	Turnover HK\$'000	Operating profit HK\$'000	Turnover HK\$'000	Operating profit/(loss) HK\$'000
Hong Kong	63,282	37,480	48,840	27,940
Mainland China	350,879	2,315	13,242	(7,382)
	<u>414,161</u>	<u>39,795</u>	<u>62,082</u>	<u>20,558</u>

(3) Operating Profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Crediting:		
Interest income	1,538	1,475
Gain on deemed disposal of interests in an associated company	1,814	-
Gain on disposal of a subsidiary	254	-
	<u>3,606</u>	<u>1,475</u>
Charging:		
Cost of properties sold	341,945	6,487
Depreciation	698	1,746
Loss on disposal of other properties	432	-
	<u>343,075</u>	<u>8,233</u>

(4) Finance Costs

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans	21,491	31,915
Interest on other loans	5,340	7,113
Other incidental borrowing costs	67	353
	<u>26,898</u>	<u>39,381</u>

(5) Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on Mainland China income has been calculated on the estimated assessable profit for the period at rates of taxation prevailing in Mainland China.

NOTES TO THE ACCOUNTS

(5) Taxation (Continued)

The charge for taxation comprises:

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	1,133	1,189
Mainland China income tax	8	-
Overprovision in prior years	-	(14)
	1,141	1,175
Share of taxation attributable to:		
Associated companies	44	30
Jointly controlled company	13	5
	1,198	1,210

(6) Earnings/loss Per Share

Earnings (2000: loss) per share is calculated based on the consolidated profit after taxation and minority interests of HK\$5,376,000 (2000: consolidated loss after taxation and minority interests of HK\$16,650,000) and on the number of shares in issue of 1,126,341,026 shares (2000: 1,126,341,026 shares) during the period.

The outstanding share options of the Company do not result in any dilution effect on the earnings/loss per share in respect of the six months ended 30th June, 2001 and 2000.

(7) Fixed Assets

	Investment properties HK\$'000	Other properties HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation					
At 1st January, 2001	2,067,000	37,048	4,190	9,214	2,117,452
Disposal of a subsidiary	(583,000)	(12,260)	(1,708)	(3,330)	(600,298)
Additions	-	-	-	275	275
Disposals/write-off	-	(1,847)	-	(458)	(2,305)
	1,484,000	22,941	2,482	5,701	1,515,124
Accumulated depreciation					
At 1st January, 2001	-	4,919	3,826	6,266	15,011
Disposal of a subsidiary	-	(1,358)	(1,708)	(1,790)	(4,856)
Charge for the period	-	244	168	286	698
Disposals/write-off	-	(95)	-	(402)	(497)
	-	3,710	2,286	4,360	10,356
Net book value					
At 30th June, 2001	1,484,000	19,231	196	1,341	1,504,768
At 31st December, 2000	2,067,000	32,129	364	2,948	2,102,441

NOTES TO THE ACCOUNTS

(8) Accounts Receivable and Prepayments

Included in accounts receivable and prepayments are trade receivables and their ageing analysis is as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Within 30 days	10,660	4,322
31-60 days	1,513	1,387
61-90 days	-	481
Over 90 days	-	967
	<u>12,173</u>	<u>7,157</u>

There are no credit terms granted by the Group to customers.

(9) Accounts Payable and Accruals

Included in accounts payable and accruals are trade payables and their ageing analysis is as follows:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Within 30 days	7,582	7,798
31-60 days	-	2,305
61-90 days	-	1,370
Over 90 days	35,191	71,711
	<u>42,773</u>	<u>83,184</u>

(10) Share Capital

	Number of shares of HK\$0.50 each '000	Nominal value HK\$'000
Authorised:		
At 30th June, 2001 and 31st December, 2000	<u>1,700,000</u>	<u>850,000</u>
Issued and fully paid:		
At 30th June, 2001 and 31st December, 2000	<u>1,126,341</u>	<u>563,171</u>

There was no movement in share capital for the six months ended 30th June, 2001 and the year ended 31st December, 2000.

At a Special General Meeting of the Company held on 1st September, 1992, a share option scheme ("the Scheme") was approved. Under the Scheme, the Board of Directors may invite the executive directors of the Company and the employees of the Group to take up options to subscribe for the Company's shares. The subscription price for the Company's shares under the Scheme is determined by the Board of Directors and will not be less than 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the option or the nominal value of the Company's shares, whichever is the higher.

NOTES TO THE ACCOUNTS

(10) Share Capital (Continued)

At 30th June, 2001, the Company had outstanding options granted to eligible employees to subscribe for shares of the Company as follows:–

Date of grant	Number of shares under options '000	Subscription price per share HK\$	Exercisable period	
			From	To
Directors				
16th April, 1996	1,350	2.00	16th April, 1997	15th April, 2002
12th June, 1997	4,000	2.10	12th June, 1998	31st August, 2002
Executives				
16th April, 1996	450	2.00	16th April, 1997	15th April, 2002

A nominal consideration at HK\$1.00 was paid by the employees for each lot of share options granted. During the period, no share options expired and were cancelled (year ended 31st December, 2000: 212,500 share options). No share options were exercised during the six months ended 30th June, 2001 and the year ended 31st December, 2000.

(11) Reserves

	Capital reserve HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
2001							
Company and subsidiaries	62,046	4,327	3,003	191,036	688,155	664,494	1,613,061
Associated companies	(1,612)	2,844	-	-	-	(337,291)	(336,059)
Jointly controlled company	-	28	-	-	-	116	144
At 1st January, 2001	60,434	7,199	3,003	191,036	688,155	327,319	1,277,146
Exchange translation difference	-	86	-	-	-	-	86
Realisation on disposal of a subsidiary	-	(1,690)	-	-	-	-	(1,690)
Write-back of goodwill on deemed disposal of interests in an associated company	6,853	-	-	-	-	-	6,853
Profit/(loss) for the period							
- Company and subsidiaries	-	-	-	-	-	11,287	11,287
- Associated companies	-	-	-	-	-	(5,919)	(5,919)
- Jointly controlled company	-	-	-	-	-	8	8
At 30th June, 2001	<u>67,287</u>	<u>5,595</u>	<u>3,003</u>	<u>191,036</u>	<u>688,155</u>	<u>332,695</u>	<u>1,287,771</u>
Retained by:							
Company and subsidiaries	68,899	2,656	3,003	191,036	688,155	675,781	1,629,530
Associated companies	(1,612)	2,911	-	-	-	(343,210)	(341,911)
Jointly controlled company	-	28	-	-	-	124	152
	<u>67,287</u>	<u>5,595</u>	<u>3,003</u>	<u>191,036</u>	<u>688,155</u>	<u>332,695</u>	<u>1,287,771</u>

NOTES TO THE ACCOUNTS

(11) Reserves (Continued)

	Capital reserve HK\$'000	Investment property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
2000								
Company and subsidiaries	62,046	274,508	1,247	3,003	191,036	688,155	968,683	2,188,678
Associated companies	(1,612)	-	1,811	-	-	-	(236,325)	(236,126)
Jointly controlled company	-	-	25	-	-	-	105	130
At 1st January, 2000	60,434	274,508	3,083	3,003	191,036	688,155	732,463	1,952,682
Exchange translation difference	-	-	4,116	-	-	-	-	4,116
Deficit on revaluation of investment properties	-	(274,508)	-	-	-	-	-	(274,508)
(Loss)/profit for the year								
- Company and subsidiaries	-	-	-	-	-	-	(304,189)	(304,189)
- Associated companies	-	-	-	-	-	-	(100,966)	(100,966)
- Jointly controlled company	-	-	-	-	-	-	11	11
At 31st December, 2000	60,434	-	7,199	3,003	191,036	688,155	327,319	1,277,146
Retained by:								
Company and subsidiaries	62,046	-	4,327	3,003	191,036	688,155	664,494	1,613,061
Associated companies	(1,612)	-	2,844	-	-	-	(337,291)	(336,059)
Jointly controlled company	-	-	28	-	-	-	116	144
	60,434	-	7,199	3,003	191,036	688,155	327,319	1,277,146

NOTES TO THE ACCOUNTS

(12) Long Term Liabilities

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Secured loans	452,500	677,291
Unsecured loans		
– due to a fellow subsidiary	92,347	–
– due to a shareholder	–	190,000
	<u>544,847</u>	<u>867,291</u>
Amounts due within one year included under current liabilities	<u>(268,347)</u>	<u>(76,000)</u>
	<u>276,500</u>	<u>791,291</u>

The maturity of the Group's long term liabilities is as follows:

Bank loans, secured		
– within one year	176,000	76,000
– in the second year	276,500	283,291
– in the third to fifth years inclusive	–	318,000
	<u>452,500</u>	<u>677,291</u>
Other loans, unsecured		
– within one year	92,347	–
– in the second year	–	190,000
	<u>92,347</u>	<u>190,000</u>
	<u>544,847</u>	<u>867,291</u>

(13) Contingent Liabilities

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Guarantees for credit facilities granted to an investee company	<u>79,700</u>	<u>130,000</u>

(14) Capital Commitments

At 30th June, 2001, the Group had the following capital commitments:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
Contracted but not provided for in respect of properties under development	92,654	87,244
Authorised but not contracted for in respect of fixed assets	522	608
	<u>93,176</u>	<u>87,852</u>

NOTES TO THE ACCOUNTS

(15) Related Party Transactions

The following is a summary of significant related party transactions which were carried out in the normal course of the Group's business:

	Note	Six months ended 30th June,	
		2001 HK\$'000	2000 HK\$'000
Rental income from related companies	(a)	1,178	756
Property management fee paid to a related company	(b)	390	650
Management fee paid to a related company	(c)	1,920	1,920
Interest paid to a shareholder	(d)	2,315	6,808
Secondment fees received from an associated company		439	429
Proceeds on disposal of investments in property interests to a related company	(e)	341,533	–
Interest paid to a fellow subsidiary	(f)	2,866	–
Purchase of goods and services from a related company	(g)	1,472	–

- (a) A subsidiary in the Group has entered into lease agreements with certain related companies, in which the directors of the companies, Messrs. Fa-kuang Hu, Raymond Hu and Herman Hu, are directors and have indirect beneficial interests, for leasing office, carpark and shop space to the related companies. The leases were entered into on normal commercial terms.
- (b) Property management fee was paid to Zhong Hai Property Management (Shanghai) Company Limited on normal commercial terms. Its holding company, China Overseas Land & Investment Limited ("China Overseas"), was an ex-substantial shareholder of the Company. One of the directors of China Overseas was also the ex-director of the Company.
- (c) Management fee was paid to Ryoden (Holdings) Limited ("RHL") in which the directors of the Company, Messrs. Fa-kuang Hu, Raymond Hu and Herman Hu, are directors and have indirect beneficial interests.
- (d) Loan interest paid to Designcase Limited ("Designcase"), a shareholder of the Company, was at prevailing market interest rates.
- (e) During the period, the Group entered into an agreement with a wholly owned subsidiary of China Overseas to dispose of the entire interest in Fortune Best Investment Limited, a subsidiary owning a 60% interest in Shanghai Square.
- (f) Loan interest paid to a fellow subsidiary of the Company was at prevailing market interest rates.
- (g) Lift supply and installation costs were paid to Ryoden Elevator Company Limited, a subsidiary of RHL. These transactions were conducted in the normal course of business at normal commercial prices and terms.

NOTES TO THE ACCOUNTS

(16) Note to Condensed Consolidated Cash Flow Statement

Reconciliation of operating profit to net cash outflow from operating activities

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Operating profit	39,795	20,558
Depreciation	698	1,746
Loss on disposal of other fixed assets	19	16
Gain on disposal of a subsidiary	(254)	-
Gain on deemed disposal of interests in an associated company	(1,814)	-
Interest income	(1,538)	(1,475)
Increase in properties completed and under development for sale	(25,739)	(353)
(Increase)/decrease in accounts receivable and prepayments	(2,007)	6,781
Increase/(decrease) in customer and rental deposits	2,909	(736)
Decrease in accounts payable and accruals	(13,082)	(53,448)
Decrease in amounts due to related companies	(45)	(393)
Exchange difference	21	(358)
Net cash outflow from operating activities	<u>(1,037)</u>	<u>(27,662)</u>

(17) Subsequent Event

In April 2001, an associated company, Saggio Holdings Limited ("Saggio"), issued additional shares to its majority shareholder and as a result, the Group's shareholdings in Saggio was diluted from 40.7% to 31.3%.

In July 2001, the Group subscribed for an additional 6,666,667 new shares issued by Saggio at a cash consideration of US\$1,000,000. The subscription price per share was the same as that paid by the majority shareholder in April 2001. The Group's shareholdings in Saggio was consequently increased from 31.3% to 34.7%.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

The Group had amounts due from affiliated companies in a total sum of HK\$642.6 million as at 30th June, 2001, which exceeds 25% of the Group's net assets. A pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Investment properties	400,000	160,000
Other fixed assets	19,480	6,192
Investments	30,034	15,017
Loans receivable	35,193	17,597
Properties under development	510,000	180,030
Completed properties for sale	135,071	51,236
Other net current liabilities	<u>(94,408)</u>	<u>(40,776)</u>
Total assets less current liabilities	1,035,370	389,296
Long-term liabilities	<u>(1,792,543)</u>	<u>(648,698)</u>
Net liabilities	<u><u>(757,173)</u></u>	<u><u>(259,402)</u></u>

FINANCIAL REVIEW

As at 30th June, 2001, the Group's net borrowings decreased substantially from approximately HK\$832.4 million as at 31st December, 2000 to approximately HK\$349.8 million. The gearing ratio was approximately 18.9% based on shareholders' equity of approximately HK\$1,850.9 million. The Group's borrowings are subject to floating interest rates. Of the total amounts of bank borrowings and other borrowings outstanding as at 30th June, 2001, 49.3% are due within one year and the remaining balance due in the second year. The Group does not have significant foreign exchange exposure as all of the Group's borrowings are in Hong Kong dollars. Taking into account available credit facilities, cash in hand and recurring cashflows from its core investment property portfolio, the Group has sufficient working capital for its present requirements.

PLEDGE OF ASSETS

As at 30th June, 2001, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's properties with an aggregate carrying value of approximately HK\$1,726 million (31st December, 2000: HK\$2,433 million), charges over certain bank accounts which amounted to approximately HK\$1.7 million (31st December, 2000: HK\$2.7 million) and over the shares of the property owning subsidiaries. In addition, shares in an investee company were pledged to banks as part of the security given to secure bank loan facilities granted to the company.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2001, the interests of the directors, chief executive and their respective associates in the securities of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:-

(1) The Company

	Shares		
	Personal Interests	Corporate Interests	Other Interests
Mr. Fa-kuang Hu ⁽²⁾	844,000	52,184,000 ⁽²⁾	727,238,000 ⁽¹⁾
Mr. Raymond Liang-ming Hu	40,000,000	–	727,238,000 ⁽¹⁾
Mr. Herman Shao-ming Hu	7,500,000	–	727,238,000 ⁽¹⁾
Mr. David Hsu ⁽³⁾	650,000	–	–
Mr. Tony Ka-tung Leung ⁽⁴⁾	–	–	–
Mr. Cham-son Chau	–	–	–
Mr. Hon-chiu Lee	–	–	–
Dr. Wai-yung Wu	600,000	–	–
Ms. Maria Wai-chu Tam	–	–	–

Notes:

- Messrs. Fa-kuang Hu, Raymond Liang-ming Hu and Herman Shao-ming Hu are objects of a discretionary trust holding 99% interest in Designcase Limited which is deemed to be interested in 727,238,000 shares of the Company. Mr. and Mrs. Fa-kuang Hu own the remaining 1% interest in Designcase Limited.
- Mr Fa-kuang Hu is deemed to be interested in 52,184,000 shares held by Zues Holdings Limited, a company wholly owned by Mr. Hu.
- Pursuant to the Company's share option scheme, Mr. David Hsu was granted options by the Company to subscribe for 2,000,000 shares at HK\$2.00 per share during the period from 16th April, 1997 to 15th April, 2002, both dates inclusive. Mr. David Hsu exercised options to subscribe for 650,000 shares at HK\$2.00 per share on 19th August, 1997.

DIRECTORS' INTERESTS IN SECURITIES

(1) The Company (Continued)

4. Pursuant to the Company's share option scheme, Mr. Tony Ka-tung Leung was granted options by the Company to subscribe for 4,000,000 shares at HK\$2.10 per share during the period from 12th June, 1998 to 31st August, 2002, both dates inclusive.
5. Mr. Pei-fu Yao resigned as a non-executive director of the Company with effect from 25th May, 2001. Mr. Yao did not have any interests in the securities of the Company during the period from 1st January, 2001 to 24th May, 2001.
6. Save as disclosed in (3) & (4) above, none of the directors, chief executive or their respective associates of the Company was granted any options pursuant to the Company's share option scheme and none of the directors, chief executive or their associates of the Company exercised any option to subscribe for shares of the Company during the period.

(2) The Subsidiary

Designcase Limited, in which Messrs. Fa-kuang Hu, Raymond Liang-ming Hu and Herman Shao-ming Hu have interest as disclosed aforesaid, beneficially owns certain shares in the following subsidiary of the Company:-

Name of Subsidiary	No. of ordinary shares beneficially held
Kinbo Development Limited	340*

* represents 34% of the issued share capital of Kinbo Development Limited

Save as aforesaid, at no time during the period was the Company or its subsidiaries a party to any arrangements which enable directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executive of the Company:-

Name of Shareholders	No. of ordinary shares beneficially held
Designcase Limited ^{(1)&(2)}	727,238,000
Summit Holdings Limited ⁽¹⁾	727,238,000
Cititrust (Cayman) Limited ⁽¹⁾	727,238,000

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Notes:

1. The figure of 727,238,000 shares includes 17,110,000 shares held by Topmile Investment Limited, a wholly-owned subsidiary of Designcase Limited in which Designcase Limited is deemed to be interested by virtue of the SDI Ordinance. Designcase Limited is 99% owned by Summit Holdings Limited which is a wholly-owned subsidiary of Cititrust (Cayman) Limited. Messrs. Fa-kuang Hu, Raymond Liang-ming Hu and Herman Shao-ming Hu are also directors of Designcase Limited, Topmile Investment Limited and Summit Holdings Limited.
2. The figure of 727,238,000 shares includes 243,706,000 shares held by the subsidiaries of China Overseas Land & Investment Limited which were sold to Designcase Limited in April 2001.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

HUMAN RESOURCES

The Group offers a comprehensive remuneration package to all of its employees: in addition to salary, it includes retirement benefits, medical scheme, in-house training, education sponsorships and subsidies. Our competitive remuneration package is periodically reviewed to go in line with market practice and potential business growth.

CODE OF BEST PRACTICE

During the period under review, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial reporting process and internal control matters, including a review of the unaudited interim financial report for the six months ended 30th June, 2001.

The unaudited interim financial report of the Company for the six months ended 30th June, 2001 has been reviewed by our auditors, PricewaterhouseCoopers, on behalf of the Audit Committee, in accordance with the Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants and an unqualified review report is issued.

By Order of the Board
Fa-kuang Hu
Chairman

Hong Kong, 14th September, 2001

Website: <http://www.irasia.com/listco/hk/ryodendev>