

REVIEW OF OPERATIONS

Results

I am pleased to report that the Group improved its operating performance during the period. The unaudited consolidated loss of the Group for the six months ended 30th September, 2001 was HK\$29,712,000, comparing with a profit of HK\$52,586,000 for the same period last year which included mainly a non-recurrent gain on disposal of interests in subsidiaries amounting to HK\$175,894,000.

Issue and redemption of convertible guaranteed bonds

On 18th April, 2001, your Group by private placement issued, through a wholly-owned subsidiary, convertible guaranteed bonds with a principal sum of HK\$300 million maturing in April, 2003. The bonds are guaranteed by the Company, bear interest at 10% per annum and convertible into equity shares of the Company with a nominal value of HK\$0.10 at an initial conversion price, subject to adjustment in certain events, of HK\$0.40 per share. For detailed information, please refer to the related circular dated 23rd March, 2001.

On 30th May, 2001, the Company secured bank loan facilities for a total of HK\$150 million to partly finance the redemption of the US\$60 million convertible guaranteed bonds due July, 2001. These facilities were secured by equivalent US dollar cash deposits provided by Lucky Year, a substantial shareholder of the Company. For detailed information, please refer to the related circular dated 11th June, 2001.

Following full repayment at par of the US\$50 million 4.875% convertible guaranteed bonds upon maturity on 15th December, 2000, your Group also repaid in full at 118% of the principal amount of the US\$60 million 5.3% convertible guaranteed bonds upon maturity on 5th July, 2001.

Disposal of properties

During the period from June to September, 2001, the property market was fairly active and your Group sold around 90 units from various completed development projects, namely **Shun Cheong Building (順昌大廈)** at 20-34 Hau Wo Street, Kennedy Town, Hong Kong, **Kensington Plaza (金威廣場)** at 98 Parkes Street, Jordan, Kowloon, **Kent Place (金濤閣)** at 8 Yen Chow Street, Shum Shui Po, Kowloon and **Kentwood Place (金湖居)** at 21 San Shing Avenue, Sheung Shui, New Territories for a total consideration in excess of HK\$150 million. Sales of the jointly developed projects have been very satisfactory with all 186 residential flats at **Regent on the Hill (帝峯豪苑)**, 183 Hammer Hill Road, Diamond Hill, Kowloon being sold out and over 78% of the residential flats at **Le Village (駿愉居)**, a composite project at 49 Village Road, Happy Valley, Hong Kong, having been pre-sold up to the date of this report. Occupation permit for the latter project is expected to be issued by February, 2002.

Your Group has just obtained consent for sale of the residential units at **The Grandeur (采怡閣)**, 47 Jardine's Bazaar and 44 Jardine's Crescent, Causeway Bay, Hong Kong. Construction of this project has substantially been completed and the property is expected to be ready for occupation by mid 2002. Pre-sale of the units will commence early next year.

REVIEW OF OPERATIONS *(Continued)*

Investment properties

Occupancy for **Hon Kwok Jordan Centre** (漢國佐敦中心), a commercial building at 5-7A Hillwood Road, Tsim Sha Tsui, Kowloon and **Honwell Commercial Centre** (漢貿商業中心), a commercial podium and on top the service apartments, known as **The Bauhinia** (寶軒) at 237-241 Des Voeux Road Central, Hong Kong remained at a high level during the first five months of the period under review. However, the September terrorist attacks in the United States have repercussions world-wide and dampened the already sluggish property market as well as the take-up rate of rental properties in Hong Kong.

PRC development properties

The residential project at Fu Tian District, Shenzhen, known as **Millennium Oasis** (城市綠洲花園) comprises nine blocks of 682 luxurious flats having an aggregate floor area of approximately one million square feet. Development of Phase I, being two blocks of high-rise buildings, has been completed with occupation permit duly issued on 29th June, 2001 and all 184 flats being sold out. Construction work of Phase II, comprising four blocks of 337 flats, has been progressed up to the main roof and scheduled for completion by June, 2002. At present, 53% of the flats at Phase II have been pre-sold. Phase III of the development comprising three blocks of 161 flats is under construction and will be launched to the market for pre-sale in the first quarter of next year.

Your Group is in the process to develop another project at Luo Hu District, Shenzhen, known as **Hon Kwok Lu Wu Plaza** (漢國羅湖廣場). This is a 43-storey composite project, with six residential blocks of 2,142 flats to be erected on top of a eight-storey commercial podium. Construction work is expected to be commenced in the first half of next year. Another composite project at Liwan District, Guangzhou is to be developed in mid 2002 while the project at Da Li District, Nanhai with a site area of 2,669,300 square feet is to be held as landbank for development at a later stage.

Overseas properties

Preparation work for development of the site at the junction of Bay Street and Dundas Street West, Toronto, Ontario, Canada will soon be finalised. The project comprises two luxurious high-rise residential towers on top of a three-storey commercial podium, with adequate carparking spaces. Construction work is expected to be commenced in the coming year.