

PRACTICE NOTE 19 TO THE LISTING RULES

Financial assistance and guarantees to affiliated companies

Yetcome Investments Limited (“Yetcome”) / T & T Properties Sdn. Bhd. (“T&T”)

The Company entered into a shareholders agreement (“Yetcome Shareholders Agreement”) with, amongst others, two independent third parties (the “Yetcome Shareholders”) on 11th February 1993 pursuant to which the parties set out the terms and conditions on which a joint venture company, Yetcome (the British Virgin Islands incorporated holding company of T&T), would be operated. The purpose of setting up Yetcome and its wholly-owned subsidiary, T&T, was to develop a complex consisting of an office tower, a retail podium, car park spaces and related facilities (“Complex A”) together with a hotel complex (“Complex B”) in Johor Bahru, Malaysia. Pursuant to the Yetcome Shareholders Agreement, the Company agreed to make pro rata shareholders loans to Yetcome. The Company has a 33.33% equity interest in the project companies owning 70% interests of Complex A and a 66.67% equity interest in Complex B.

Pursuant to the Yetcome Shareholders Agreement, the Company made loans in the aggregate amount of HK\$12,801,572 to various immediate holding companies of Yetcome. The immediate holding companies relating to Complex A and Complex B are owned effectively as to 33.33% (out of 70%) and as to 66.67% by the Company respectively. In addition, the Company also made loans amounting to HK\$112,415,964 to Yetcome as at 31st October 2001. The loans to Yetcome and various immediate holding companies are unsecured, interest free and repayable on demand.

Pursuant to a facility agreement (“Facility Agreement”) entered into between T&T and various banks and financial institutions on 16th August 1999, T&T obtained a syndicated dual currency refinancing facility of RM149,000,000 (equivalent to approximately HK\$303,602,000) and US\$11,500,000 (equivalent to approximately HK\$89,700,000) and standby letter of credit facility of RM26,000,000 (equivalent to approximately HK\$52,978,000). The facility in a principal amount of RM136,000,000 (“Tranche A Facility”) is for the construction of Complex A and the facility in a principal amount of RM13,000,000 and US\$11,500,000 (“Tranche B Facility”) is for the construction of Complex B.

As security arrangements for the Facility Agreement, the Company gave the following guarantees and undertakings:

- (i) With respect to Tranche A Facility, the Company agreed severally with the relevant Yetcome Shareholders to guarantee, pro rata to their respective equity interests in the relevant project, the repayment to the relevant banks and financial institutions all principal, interest, commission, costs and charges as may be due and payable for 33.33% of the relevant amount. Tranche A Facility has been utilised up to RM122,400,000 (equivalent to approximately HK\$249,402,000) as at 31st October 2001 and the Company's liability under these guarantee and indemnity arrangements amounted to approximately HK\$83,134,000 as at 31st October 2001.
- (ii) In accordance with two shareholders guarantee and indemnity agreements both dated 16th August 1999 entered into by the relevant Yetcome Shareholders and the relevant banks and financial institutions, the Company undertook to provide additional funds to the extent of its interests in Complex A and Complex B.

By a Notice of Declaration and Demand ("Notice") dated 19th November 2001 issued by the relevant banks and financial institutions of the Tranche A Facility to T&T, a Tranche A Facility event of default was declared and demanded for full repayment of the Tranche A Facility. The security agent of the Tranche A Facility issued letters of demand dated 14th December 2001 and 12th April 2002 to the Company that it was given instructions to demand from the Company the outstanding indebtedness under the Tranche A Facility under the guarantee and indemnity given under item (i) above.

Pursuant to the arrangements made between T&T and the financiers (the "Financiers") on 24th February 2001, the Financiers granted to T&T a club-deal facilities ("Club-Deal Facilities") comprising a facility of RM57,300,000 (equivalent to approximately HK\$116,754,000) ("Club-deal Facility I") and a facility of RM56,700,000 (equivalent to approximately HK\$115,532,000) ("Club-deal Facility II"). The Club-deal Facility I is for the purchase of the renovation/fitting out costs of Complex B and the Club-deal Facility II is for refinancing the Tranche B Facility.

As security arrangements for the Club-Deal Facilities, the Company gave the guarantees and undertakings in favour of the Financiers in the proportions of 66.67% in respect of:-

- (i) The repayment of the outstanding amounts comprising principal, interest, fees, commission, costs and charges due to the Financiers under the Club-Deal Facilities. The Club-deal Facility II has been utilised up to RM56,700,000 (equivalent to approximately HK\$115,532,000) as at 31st October 2001 and the Company's liability under these guarantee arrangements amounted to approximately HK\$77,021,000 as at 31st October 2001.
- (ii) To provide to T&T such additional funds as may be necessary in the event there shall be a shortfall in the working capital or in its cash flow for the construction and completion of Complex B or there shall be costs overruns.

As at 31st October 2001, Yetcome has no material capital commitment for Complex A and Complex B.

In conclusion, as a result of the loan and financing arrangements set out above, the aggregate of all amounts due from and all guarantees given to secure the obligations of various affiliated companies amounts to approximately HK\$285,373,000. As the Company reported a consolidated deficiency in assets of HK\$657,530,000 by reference to its latest unaudited accounts for the six months ended 31st October 2001, the calculation of the percentage of the aggregate amount of financial assistance and guarantees mentioned above to net tangible assets is not applicable.

Note:

The exchange rates used above is as follows:

RM1.00 = HK\$2.0376

US\$1.00 = HK\$7.8

Set out below is the unaudited pro-forma combined balance sheet of the above affiliated companies as at 31st October 2001, being the latest practicable date for the preparation of such balance sheets:

| | As at 31st October 2001 | Attributable interest |
|------------------------------|------------------------------------|----------------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Fixed assets | 428,238 | 163,168 |
| Property under development | 204,943 | 136,629 |
| Investment property for sale | 145,752 | 48,584 |
| Other assets | 820 | 546 |
| Current assets | <u>13,708</u> | <u>6,355</u> |
| Total assets | 793,461 | 355,282 |
| Current liabilities | (199,167) | (112,961) |
| Long term liabilities | (551,641) | (247,360) |
| Minority interests | <u>(16,032)</u> | <u>(5,344)</u> |
| | <u><u>26,621</u></u> | <u><u>(10,383)</u></u> |

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Save as disclosed in note 14(a) to the accounts of the redemption of 2,000 preference shares, the Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's securities during the period under review.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the period under review, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The interim accounts have been reviewed by the audit committee of the Company.

By Order of the Board
Chan Fat Chu, Raymond
Chairman

Hong Kong, 9th August 2002