



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 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Transaction” have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operations is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statement". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating and financing cash flows, respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

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

The Group is currently engaged in five business activities – property investment, property management, treasury investment and banking, insurance business and trading and manufacturing. These activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Six months ended 30 June 2002						Consolidated HK\$'000
	Property investment HK\$'000	Property management HK\$'000	Treasury investment and banking HK\$'000	Insurance business HK\$'000	Trading and manufacturing HK'000	Eliminations HK\$'000	
REVENUE							
External sales	63,336	7,929	43,914	12,855	13,862	-	141,896
Inter-segment sales	521	2,244	48,547	658	-	(51,970)	-
Total revenue	<u>63,857</u>	<u>10,173</u>	<u>92,461</u>	<u>13,513</u>	<u>13,862</u>	<u>(51,970)</u>	<u>141,896</u>

Inner-segment sales are charged at prevailing market rates

RESULTS							
Segment results	<u>51,348</u>	<u>2,910</u>	<u>10,878</u>	<u>2,462</u>	<u>(551)</u>	<u>-</u>	<u>67,047</u>
Finance costs							(28,805)
Share of results of associates	<u>-</u>	<u>-</u>	<u>82,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,266</u>
Profit before taxation							120,508
Taxation							<u>(22,022)</u>
Profit after taxation							<u>98,486</u>

	Six months ended 30 June 2001						Consolidated HK\$'000
	Property investment HK\$'000	Property management HK\$'000	Treasury investment and banking HK\$'000	Insurance business HK\$'000	Trading and manufacturing HK'000	Eliminations HK\$'000	
REVENUE							
External sales	64,555	8,362	40,374	14,761	17,735	-	145,787
Inter-segment sales	448	2,225	90,851	578	-	(94,102)	-
Total revenue	<u>65,003</u>	<u>10,587</u>	<u>131,225</u>	<u>15,339</u>	<u>17,735</u>	<u>(94,102)</u>	<u>145,787</u>

Inner-segment sales are charged at prevailing market rates

RESULTS							
Segment results	<u>52,486</u>	<u>3,151</u>	<u>31,850</u>	<u>3,201</u>	<u>1,821</u>	<u>-</u>	<u>92,509</u>
Finance costs							(30,141)
Share of results of associates	<u>-</u>	<u>-</u>	<u>107,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,557</u>
Profit before taxation							169,925
Taxation							<u>(30,030)</u>
Profit after taxation							<u>139,895</u>



Geographical Segments

	Turnover		Segment results	
	Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	134,755	136,159	68,602	91,876
Mainland China	7,141	9,628	(1,555)	633
	141,896	145,787		
Profit from operations			67,047	92,509

4. DIRECT COSTS

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Included in direct costs are the following (charge) credit:		
Impairment loss recognised in respect of properties under development	(323,506)	–
Release of revaluation surplus attributable to the above properties	323,506	–



5. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	<u>1,998</u>	<u>2,309</u>
Investment income	<u>(21,773)</u>	<u>(36,256)</u>
(Profit) loss on disposal of investments	<u>(4,762)</u>	<u>1,572</u>

6. TAXATION

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong Profits Tax:		
The Company and its subsidiaries	7,845	10,092
Associates	<u>13,949</u>	<u>19,094</u>
	<u>21,794</u>	<u>29,186</u>
Overseas Income Tax:		
The Company and its subsidiaries	–	765
Associates	<u>228</u>	<u>79</u>
	<u>228</u>	<u>844</u>
	<u>22,022</u>	<u>30,030</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.



7. DIVIDENDS

On 26 April 2002, a dividend of HK\$0.10 per share (2001: HK\$0.21 per share) was paid to shareholders as the final dividend for 2001.

The directors have determined that an interim dividend of HK\$0.10 per share (2001: HK\$0.10 per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 13 September 2002.

8. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of HK\$102,902,000 (2001: HK\$140,532,000) and on the 378,943,440 (2001: weighted average number of 379,025,440) ordinary shares in issue during the period.

9. TRADE AND OTHER RECEIVABLES

The Group operates a controlled credit policy and allows an average credit period of 30-90 days to its trade customers who satisfy the credit evaluation. The aged analysis of trade receivables of HK\$38,877,000 (31 December 2001: HK\$64,480,000) which are included in trade and other receivables is as follows:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Current	26,614	53,927
Over 30 days	4,200	4,366
Over 60 days	8,063	6,187
	38,877	64,480

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

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$25,914,000 (31 December 2001: HK\$25,711,000) and the aged analysis is as follows:

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Current	16,142	15,457
Over 30 days	4,857	7,697
Over 60 days	4,915	2,557
	<u>25,914</u>	<u>25,711</u>

11. BORROWINGS

During the period, the Group obtained and renewed bank loans in the amount of HK\$875,000,000. 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.

12. CONTINGENT LIABILITIES

Since the last annual reporting date, the Group's corporate guarantee granted to a bank amounting to HK\$70,000,000 for banking facilities granted to an investee company was released.

13. CAPITAL COMMITMENTS

	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Capital expenditure in respect of property development expenditure contracted for but not provided in the condensed financial statements	71,240	180,079
Capital expenditure in respect of the contributions to the capital of an investee company contracted for but not provided in the condensed financial statements	67,438	83,087
Capital expenditure in respect of renovation works of investment properties contracted for but not provided in the condensed financial statements	–	191
	<u>138,678</u>	<u>263,357</u>



INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend for 2002 of HK\$0.10 (2001: HK\$0.10) per share, payable on 18 September 2002 to the shareholders registered on 13 September 2002.

The Register of Members will be closed from 9 September 2002 to 13 September 2002, 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, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 6 September 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

The aftermath of last year's economic set back in the United States in addition to subsequent terror attacking incidents have seriously affected the economic development scene world-wide. Despite the 11 times interest cut by the Federal Reserve Bureau, which only helped to slowdown the recession, could do very little in gaining revival momentum. Stepping into 2002, Hong Kong economy continued to be sluggish in sympathy of the global situation. Both stock trading and property market showed signs of sustained deterioration. While the non-stop deflation situation had dampened the investment confidence and consuming appetite, skyrocketing unemployment rate might push the business environment further down to earth. As for the banking field, the fierce competitions continued to prevail, however, the new menace would come from considerable increase in the provision of bad and doubtful debts. Most bankers therefore do not feel optimistic for the profit outlook of the current year.

Banking Operation

For the first half of the year 2002, the operating results of our banking associate, Liu Chong Hing Bank Limited were mixed. Unaudited net profit for the period amounted to HK\$161.038 million, a drop of 20.4% from the previous corresponding period. But total customers' deposits and total loans and advances to customers increased 3.17% and 7.03% respectively. Total assets edged up marginally by 1.2% to HK\$40.392 billion.



Property Investment and Development

Investment Properties

The continued downward adjustment of property price together with the all time low interest period had obvious stimulation only to first hand new developments yielding selective supports. Although the overall sales and rental price indexes were sliding, the performance in the leasing activities of our Group's investment properties and the sales of development properties was outstanding.

Chong Hing Square, located in the heart of Mongkok, Kowloon, provides 184,000 sq.ft. retail and recreational spaces. It is the District's landmark of entertainment, catering and shopping. Notwithstanding the present difficult retail environment, this building has been fully let by end of the first half of this year.

The 41,000 sq.ft. Chong Yip Shopping Centre, situated in the heart of West District, Hong Kong, is perhaps one of the most popular shopping spot in the area. During the first six months of 2002, the property has been maintaining an average of 83% occupancy rate.


Western Harbour Centre, the 28-storey high class office tower offers some 140,000 sq.ft. of office space. With stunning harbour view, this building is near the traffic merger at the entrance of Western Harbour Tunnel. Over 95% occupancy rate has been achieved.

Fairview Court is a 6-unit luxury low density apartment building at No. 94 Repulse Bay Road, Hong Kong. The Group owns five units of this development and all of them have been let.

Liu Chong Hing Bank Building, situated at No. 24 Des Voeux Road Central, Hong Kong, is the flagship property of the Group. Plans are being made to redevelop this site with work expected to commence next year.

Development Properties

Le Palais, the Group's luxury residential development on Donghu Road, Dongshan District, Guangzhou, has been completed in December 2001. With a gross floor area of 1,500,000 sq.ft., this project provides 844 luxury apartment units and 300 car parking spaces. Sale of this development commenced since the end of last year and 125 units have been sold up to now.



Phase II of the Belcher's, Polfulam Road, Hong Kong, the Group's joint venture project with Shun Tak Holdings Ltd, Sun Hung Kai Properties Ltd, New World Development Co Ltd. was completed in April 2002. A total of 683 units representing 61% of Phase II and 597 units representing 89% of Phase I had been sold, the joint venture company has generated sale proceeds of HK\$9.1 billion.

Double Haven redevelopment project in Kau To Shan is perhaps the most prestigious residential area in Shatin, New Territories. The luxury development consists of a total of 14 single and 18 semi-detached houses, each with individual garden, along with swimming pool and clubhouse facilities. The project has been completed in the middle of this year and sale campaign was commenced thereafter. Over half of the houses have been sold up to date.

The Group's development of a grade-A commercial office building in Nanjing Xilu, Shanghai has completed foundation work. The superstructure work is scheduled to commence by the end of this year. Located in the golden-mile of the prime commercial section of Shanghai, this property will provide 594,000 sq.ft. of commercial and office spaces.

Property Management

Besides managing its own properties, the Group also actively engages in the management of other properties. The Group is presently involved in over a dozen buildings located all over Hong Kong, Kowloon and New Territories. Due to exceptionally keen in competition, business turnover has reduced 5.2% in the first half of this year.

Insurance Business

The Group's insurance arm has been operating under the prolonged economic recession environment since the beginning of the year. As such, profit dropped 23.1% over same period last year. Prior to any noticeable sign of revival, we expect the insurance business to continue a slow motion development for the remainder of the year.

Capital Structure

The Group's shareholders' funds as at 30 June 2002 amounted to HK\$5.835 billion, representing a decrease of HK\$255 million compared with that of 31 December 2001.



Finance and treasury operations

As at 30 June 2002, the Group's consolidated net debts being bank borrowings less cash and bank deposits, amounted to HK\$2,521.992 million. The increase in total bank borrowings was attributable to construction cost incurred in various development projects. However, the Group has continued to maintain a low debt-to-equity ratio as of the balance sheet date.

In light of the current gloomy market condition with vague investment climate, the Group shall not make any new investment projects within the near future until completion of most projects in hand. We expect that the total bank loans will be reduced significantly upon completion and sale of Double Haven, The Belcher's and Le Palais, Guangzhou.

During the period under review, the management continued in restructuring existing bank borrowings and achieved certain savings in interest expenses.

LOOKING AHEAD

Right now, the U.S. economy, being a starry target of the whole world, is still in the doldrums. Apart from the corporate accounting scandals causing turmoil in major financial markets, the threat in new war against terrorists may further jeopardize the situation. In absence of any constructive news, turnaround in economy in Hong Kong is unlikely to happen at least in the short term. Whilst China is still in a period of high economic growth, ample peripheral business opportunities shall arise from time to time. If we can make good use of these opportunities, prosperity should be not far away. The Group shall adopt a prudent yet enterprising management approach and continue to seize the best benefit for our shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2002, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares in the Company.

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2002, 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>	7,416,000	–	174,600,000 (Notes 1 & 2)	182,016,000
Mr. Liu Lit Chi	141,668	–	216,864,222 (Notes 1 & 3)	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	2,244,607	–	–	2,244,607

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.

Note 2: Eternal Wealth Limited, of which Mr. Liu Lit Mo is shareholder, beneficially holds 3,000,000 shares in the Company.

Note 3: 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>Executive Chairman</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 <i>Managing Director & Chief Executive Officer</i>	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
- (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 2002 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 2002 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, 19 August 2002