



Ryoden Development Limited
(Incorporated in Bermuda with limited liability)

Interim Report **2002**

INTERIM RESULTS

The unaudited consolidated net loss of Ryoden Development Limited (“the Company”) and its subsidiaries (“the Group”) attributable to shareholders for the six months ended 30th June, 2002 amounted to HK\$200,068,000, compared with an attributable net profit of HK\$12,229,000 (as restated) for the corresponding period last year. The results were mainly due to substantial provision for diminution in value of certain properties, amounting to HK\$220,756,000, of which HK\$49,756,000 was attributable to the provision made by the associated companies of the Group. The Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2002.

OPERATION REVIEW

During the period under review, the economy of Hong Kong and the local property market remained weak. Notwithstanding the suspension of sales of the units built under the Home Ownership Scheme, the selling price and rental of residential units continued to decline, while the supply of small and medium-sized residential units in newly developed districts was abundant. Also, the demand for office space and retail shops remained weak due to unfavorable economic environment and depressed private consumption.

In mainland China, property markets in major cities were active with an increasing demand for residential units due to economic growth and the Government’s policy of encouraging private home ownership. The demand for office space also benefited from increased foreign investments after China’s entry into the World Trade Organization.

During the first six months of the year, the Group completed the superstructure works of both Delight Court in To Kwa Wan and Merit Place in Tai Po and commenced the internal and external finishing work for both projects. In August this year, the Group obtained the occupation permit for Delight Court and started the marketing campaign for the residential units. Due to the unfavorable economic environment and increasing supply of office building in Hong Kong, the average occupancy rate of the Group’s investment properties has dropped to about 80%.

In mainland China, the Group submitted application for works permit to local authorities for Phase III of Gateway Plaza in Shanghai during the first half of the year. The Group is also reviewing the prospective disposal of Phase II of the same project.

The Group's property management arm, Parkland Property Management Limited ("Parkland"), continued to benefit from the Private Sector Involvement in Estate Management and Maintenance Services Scheme launched by the Hong Kong Housing Authority. During the period, Parkland successfully secured the management services contract for 2,000 units at the Tsz Hong Estate, thereby extending its service to three public housing estates with a total of more than 12,700 units under its management.

Saggio Holdings Limited, the Group's associated company engaging in distribution of office and computer accessories in the Asia Pacific region, failed to achieve profitability due to poor economic environment and keen market competition.

FINANCIAL REVIEW

The Group's net borrowings at 30th June, 2002 amounted to HK\$190 million, with a gearing ratio of 15% based on unaudited consolidated net tangible assets of HK\$1,266 million. The Group's borrowings are subject to floating interest rate. Of the total amounts of bank borrowings and other borrowings outstanding as at 30th June, 2002, 27% 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.

As at 30th June, 2002, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's properties with an aggregate carrying value of HK\$286 million (31st December, 2001: HK\$390 million) and charges over the shares of the property-owning subsidiaries. The Group provided guarantees for banking facilities granted to an investee company in the amount of HK\$1 million. During the period, the Inland Revenue Department issued to the Company and certain subsidiary companies profits tax assessments in aggregate of HK\$16 million in respect of the year of assessment 1995/96. The Group has lodged objections against these assessments. The directors are of the opinion that the Group has reasonable grounds for the objections and hence, no additional tax provision has been made in the accounts for the six months ended 30th June, 2002. The Group has capital commitments totalling HK\$38 million. These commitments will be funded primarily from related project committed loan facilities, proceeds on sale of completed properties, rental income from the investment properties and cash on hand. Taking into account available credit facilities, cash in hand and recurring cash flows from its core investment property portfolio, the Group has sufficient working capital for its present requirements.

OUTLOOK

During the period, property prices and rental levels in Hong Kong continued to drift lower. Escalating unemployment rate and uncertain economic prospects have adversely affected the confidence of potential homebuyers. Recent resumption of sale of residential units built under the Home Ownership Scheme and aggressive marketing for new residential development projects by private developers have severely dampened second-hand market transactions. Demand for office space continued to be affected by an unfavorable economic environment and increased supply. Therefore, the Group does not expect a strong recovery in the local property market in the near future.

In mainland China, the prospects of property markets in major cities are improving. As a result of a strong economy, growing private consumption and increasing private home ownership, the demand for residential and commercial properties in prime locations is expected to increase.

In the coming months, the Group will continue its marketing campaign for Delight Court and launch marketing activities for Merit Place. In addition, it will focus on the development of Phase III of Gateway Plaza in Shanghai and the leasing of the Group's investment properties in Hong Kong. In the meantime, the Group will maintain a prudent approach in selecting new investments in view of the prevailing economic environment.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited	
		Six months ended	
		30th June,	
	<i>Note</i>	2002	2001
	<i>(19)</i>		(as restated)
		HK\$'000	HK\$'000
Turnover	(2)	120,639	414,161
Cost of sales and services		(80,889)	(360,930)
Gross profit		39,750	53,231
Other revenues		3,925	11,278
Selling expenses		(1,530)	(202)
Administrative expenses		(13,563)	(17,659)
Net provisions/write-down of property interests		(171,000)	–
Operating (loss)/profit	(3)	(142,418)	46,648
Finance costs	(4)	(3,943)	(26,898)
Share of results of	(5)		
Associated companies		(52,259)	(7,689)
Jointly controlled company		(31)	21
(Loss)/profit before taxation		(198,651)	12,082
Taxation	(6)	(2,127)	(1,198)
(Loss)/profit after taxation		(200,778)	10,884
Minority interests		710	1,345
(Loss)/profit attributable to shareholders		(200,068)	12,229
(Loss)/earnings per share (cents)	(7)	(17.76)	1.09

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30th June, 2002 HK\$'000	Audited 31st December, 2001 HK\$'000
ASSETS			
Non-current assets			
Fixed assets	(8)	1,025,932	1,179,427
Associated companies	(9)	241,652	298,136
Jointly controlled company		751	783
Investment		30,591	33,441
Loans receivable		17,609	2,152
		<u>1,316,535</u>	<u>1,513,939</u>
Current assets			
Properties under development		167,122	157,938
Completed properties for sale		41,907	90,693
Inventories, at cost		206	189
Current portion of loans receivable		484	677
Accounts receivable and prepayments	(10)	26,549	193,712
Tax recoverable		-	33
Cash and bank balances		68,864	51,909
		<u>305,132</u>	<u>495,151</u>
Total assets		<u><u>1,621,667</u></u>	<u><u>2,009,090</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	(11)	563,171	563,171
Reserves	(12)	702,471	902,927
		<u>1,265,642</u>	<u>1,466,098</u>
Minority interests and loans		17,231	43,881
Long term liabilities	(13)	190,000	303,812
Current liabilities			
Current portion of long term liabilities	(13)	69,292	96,699
Customer and rental deposits		15,006	15,540
Accounts payable and accruals	(14)	64,117	81,477
Amounts due to related companies		360	1,583
Taxation		19	-
		<u>148,794</u>	<u>195,299</u>
Total equity and liabilities		<u><u>1,621,667</u></u>	<u><u>2,009,090</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited Six months ended 30th June,	
	Note	2002 HK\$'000	2001 HK\$'000
Net cash inflow/(outflow) from operating activities	(17)	192,914	(29,233)
Investing activities			
Additions to fixed assets		(56)	(275)
Additional investment in a subsidiary		–	(28)
Disposal of a subsidiary, less expenses		–	338,547
Repayment from/(advance to) the investee company		2,850	(24,441)
Advances to associated companies		(374)	(653)
Receipts from repayment of loans made to associated companies		4,044	7,398
(Advance)/repayment of loans receivable		(15,264)	1,957
Net cash (outflow)/inflow from investing activities		(8,800)	322,505
Financing activities			
New loans		205,480	196,838
Repayment of loans (Repayment)/advance of loans from minority shareholders		(346,699)	(336,000)
Decrease in restricted bank balances		(25,940)	5,992
		–	954
Net cash outflow from financing activities		(167,159)	(132,216)
Increase in cash and bank balances		16,955	161,056
Cash and bank balances at 1st January		51,909	32,238
Cash and bank balances at 30th June		68,864	193,294

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Unaudited Six months ended 30th June, 2002	2001 (as restated) HK\$'000
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Total equity at 1st January		1,466,098	1,840,317
Exchange differences arising on translation of the financial statements of foreign subsidiaries, associated companies and jointly controlled company	(12)	(388)	86
Realisation of exchange reserve upon disposal of a subsidiary	(12)	<u>—</u>	<u>(1,690)</u>
Net losses not recognised in the profit and loss account		(388)	(1,604)
(Loss)/profit for the period	(12)	<u>(200,068)</u>	<u>12,229</u>
Total equity at 30th June		<u>1,265,642</u>	<u>1,850,942</u>

NOTES TO THE ACCOUNTS

(1) Basis of Preparation and Accounting Policies

These unaudited condensed consolidated interim accounts ("the Accounts") are prepared in accordance with the 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 2001 annual accounts.

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, 2001 except that the Group has changed certain of its accounting policies and presentation following its adoption of the following SSAPs which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 34	: Employee benefits

The effect of adopting these new standards is insignificant to the Accounts of the current and prior periods.

NOTES TO THE ACCOUNTS

(2) Turnover and Segment Information

The Group is principally engaged in property investment and development, project management and property management.

(a) Business segments

	Six months ended 30th June, 2002					
	Sale of properties and property interests HK\$'000	Property letting HK\$'000	Property and project management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment turnover						
External sales	47,073	32,499	30,416	10,651	-	120,639
Inter-segment sales	-	1,932	94	-	(2,026)	-
	<u>47,073</u>	<u>34,431</u>	<u>30,510</u>	<u>10,651</u>	<u>(2,026)</u>	<u>120,639</u>
Segment results	<u>(17,594)</u>	<u>(124,103)</u>	<u>6,389</u>	<u>(1,848)</u>	<u>(76)</u>	(137,232)
Interest income						615
Unallocated corporate expenses						<u>(5,801)</u>
Operating loss						(142,418)
Finance costs						(3,943)
Share of results of Associated companies	(25,527)	(19,214)		(7,518)		(52,259)
Jointly controlled company			(31)			<u>(31)</u>
Loss before taxation						<u>(198,651)</u>

NOTES TO THE ACCOUNTS

(2) Turnover and Segment Information (Continued)

(a) Business segments (Continued)

	Six months ended 30th June, 2001 (as restated)					
	Sale of properties and property interests HK\$'000	Property letting HK\$'000	Property and project management HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment turnover						
External sales	344,412	46,185	23,564	-	-	414,161
Inter-segment sales	-	416	224	-	(640)	-
	<u>344,412</u>	<u>46,601</u>	<u>23,788</u>	<u>-</u>	<u>(640)</u>	<u>414,161</u>
Segment results	<u>(462)</u>	<u>36,053</u>	<u>8,056</u>	<u>8,667</u>	<u>(206)</u>	52,108
Interest income						1,538
Unallocated corporate expenses						<u>(6,998)</u>
Operating profit						46,648
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>12,082</u>

(b) Geographical segments

	Six months ended 30th June, 2002		Six months ended 30th June, 2001	
	Turnover	Operating (loss)/profit	Turnover	Operating profit (as restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	120,236	(142,733)	63,282	44,333
Mainland China	<u>403</u>	<u>315</u>	<u>350,879</u>	<u>2,315</u>
	<u>120,639</u>	<u>(142,418)</u>	<u>414,161</u>	<u>46,648</u>

NOTES TO THE ACCOUNTS

(3) Operating Loss/Profit

Operating loss/profit is stated after crediting and charging the following:

	Six months ended 30th June,	
	2002 <i>HK\$'000</i>	2001 (as restated) <i>HK\$'000</i>
Crediting:		
Interest income	615	1,538
Dividend income	3,236	-
Gain on deemed disposal of interest in an associated company	-	8,667
Gain on disposal of a subsidiary	-	254
	<u> </u>	<u> </u>
Charging:		
Cost of properties and property interests sold	45,815	341,945
Cost of inventories sold	3,828	-
Depreciation	551	698
Loss on disposal of other properties	-	432
Net provisions/write-down of property interests	171,000	-
- Provision for impairment losses of properties under development	15,000	-
- Write-down of completed properties for sale	3,000	-
- Deficit on revaluation of investment properties (<i>note 8</i>)	153,000	-
	<u> </u>	<u> </u>

(4) Finance Costs

	Six months ended 30th June,	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Interest on bank loans	1,375	21,491
Interest on other loans wholly repayable within five years	2,455	5,340
Other incidental borrowing costs	113	67
	<u> </u>	<u> </u>
	<u>3,943</u>	<u>26,898</u>

NOTES TO THE ACCOUNTS

(5) Share of Results of Associated Companies and Jointly Controlled Company

	Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000
Associated companies:		
Share of net operating losses	(2,503)	(7,689)
Share of provision for property interests	(25,756)	–
Share of revaluation deficit of investment properties	(24,000)	–
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Share of results of associated companies	(52,259)	(7,689)
Share of results of a jointly controlled company	(31)	21
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	(52,290)	(7,668)
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(6) Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

The charge for taxation comprises:

	Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax	2,540	1,133
Mainland China income tax	–	8
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	2,540	1,141
Share of taxation attributable to:		
Associated companies	(423)	44
Jointly controlled company	10	13
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	2,127	1,198
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NOTES TO THE ACCOUNTS

(7) Loss/Earnings Per Share

Loss (2001: earnings) per share is calculated based on the consolidated loss after taxation and minority interests of HK\$200,068,000 (2001: consolidated profit after taxation and minority interests of HK\$12,229,000 (as restated)) and on the number of shares in issue of 1,126,341,026 shares (2001: 1,126,341,026 shares) during the period.

The outstanding share options of the Company do not result in any dilution effect on the loss (2001: earnings) per share in respect of the six months ended 30th June, 2002 and 2001.

(8) 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, 2002	1,158,500	22,941	2,482	5,793	1,189,716
Additions	-	-	-	56	56
Revaluation deficit (note 3)	(153,000)	-	-	-	(153,000)
At 30th June, 2002	<u>1,005,500</u>	<u>22,941</u>	<u>2,482</u>	<u>5,849</u>	<u>1,036,772</u>
Accumulated depreciation					
At 1st January, 2002	-	3,955	2,454	3,880	10,289
Charge for the period	-	244	21	286	551
At 30th June, 2002	<u>-</u>	<u>4,199</u>	<u>2,475</u>	<u>4,166</u>	<u>10,840</u>
Net book value					
At 30th June, 2002	<u>1,005,500</u>	<u>18,742</u>	<u>7</u>	<u>1,683</u>	<u>1,025,932</u>
At 31st December, 2001	<u>1,158,500</u>	<u>18,986</u>	<u>28</u>	<u>1,913</u>	<u>1,179,427</u>

(9) Associated Companies

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Share of net liabilities	(392,399)	(322,531)
Amounts due from associated companies	634,780	638,809
Amounts due to associated companies	(729)	(18,142)
	<u>241,652</u>	<u>298,136</u>
Unlisted shares, at cost	<u>65,169</u>	<u>82,669</u>

NOTES TO THE ACCOUNTS

(10) Accounts Receivable and Prepayments

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

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Within 30 days	9,025	182,325
31-60 days	4,911	3,334
61-90 days	4,215	375
Over 90 days	1,544	390
	<u>19,695</u>	<u>186,424</u>

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

(11) Share Capital

	Number of shares of HK\$0.50 each '000	Nominal value HK\$'000
Authorised:		
At 30th June, 2002 and 31st December, 2001	<u>1,700,000</u>	<u>850,000</u>
Issued and fully paid:		
At 30th June, 2002 and 31st December, 2001	<u>1,126,341</u>	<u>563,171</u>

There was no movement in share capital for the six months ended 30th June, 2002 and the year ended 31st December, 2001.

The Company has a share option scheme approved at a Special General Meeting held on 1st September, 1992. During the period, 1,800,000 share options lapsed (year ended 31st December, 2001: Nil). No share options were granted, cancelled or exercised during the six months ended 30th June, 2002 and the year ended 31st December, 2001.

At 30th June, 2002, the Company had outstanding share options granted to an eligible employee of the Group 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
12th June, 1997	4,000	2.10	12th June, 1998	31st August, 2002

NOTES TO THE ACCOUNTS

(12) Reserves

	Capital reserve	Exchange reserve	Capital redemption reserve	Contributed surplus	Share premium	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2002	90,130	5,520	3,003	191,036	688,155	(74,917)	902,927
Exchange translation difference	-	(388)	-	-	-	-	(388)
Loss for the period	-	-	-	-	-	(200,068)	(200,068)
	<u>90,130</u>	<u>5,132</u>	<u>3,003</u>	<u>191,036</u>	<u>688,155</u>	<u>(274,985)</u>	<u>702,471</u>
At 30th June, 2002	<u>90,130</u>	<u>5,132</u>	<u>3,003</u>	<u>191,036</u>	<u>688,155</u>	<u>(274,985)</u>	<u>702,471</u>
At 1st January, 2001 (as restated)	90,130	7,199	3,003	191,036	688,155	297,623	1,277,146
Exchange translation difference	-	86	-	-	-	-	86
Realisation on disposal of a subsidiary	-	(1,690)	-	-	-	-	(1,690)
Profit for the period (as restated) (note 19)	-	-	-	-	-	12,229	12,229
	<u>90,130</u>	<u>5,595</u>	<u>3,003</u>	<u>191,036</u>	<u>688,155</u>	<u>309,852</u>	<u>1,287,771</u>
At 30th June, 2001	<u>90,130</u>	<u>5,595</u>	<u>3,003</u>	<u>191,036</u>	<u>688,155</u>	<u>309,852</u>	<u>1,287,771</u>

(13) Long Term Liabilities

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Secured loans	69,292	210,511
Unsecured loans, due to a fellow subsidiary	190,000	190,000
	<u>259,292</u>	<u>400,511</u>
Amounts due within one year included under current liabilities	(69,292)	(96,699)
	<u>190,000</u>	<u>303,812</u>
The maturity of the Group's long term liabilities is as follows:		
Bank loans, secured		
– within one year	69,292	96,699
– in the second year	-	113,812
	<u>69,292</u>	<u>210,511</u>
Other loans, unsecured		
– in the second year	190,000	-
– in the third to fifth years inclusive	-	190,000
	<u>190,000</u>	<u>190,000</u>
	<u>259,292</u>	<u>400,511</u>

NOTES TO THE ACCOUNTS

(14) Accounts Payable and Accruals

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

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Within 30 days	4,474	17,351
31-60 days	1,586	2,377
61-90 days	1,223	1,799
Over 90 days	46,431	47,090
	<u>53,714</u>	<u>68,617</u>

(15) Contingent Liabilities

At 30th June, 2002, the Group provided guarantees for banking facilities granted to an investee company in the amount of HK\$1,200,000 (31st December, 2001: HK\$1,200,000).

During the period, the Inland Revenue Department issued to the Company and certain subsidiary companies profits tax assessments in aggregate of HK\$15,600,000 in respect of the year of assessment 1995/96. The Group has lodged objections against these assessments. The directors are of the opinion that the Group has reasonable grounds for the objections and hence, no additional tax provision has been made in the Accounts.

(16) Capital Commitments

At 30th June, 2002, the Group had the following capital commitments:

	30th June, 2002 HK\$'000	31st December, 2001 HK\$'000
Contracted but not provided for in respect of properties under development	37,632	59,556
Authorised but not contracted for in respect of fixed assets	16	-
	<u>37,648</u>	<u>59,556</u>

NOTES TO THE ACCOUNTS

(17) Note to Condensed Consolidated Cash Flow Statement

Reconciliation of operating loss/profit to net cash inflow/outflow from operating activities

	Six months ended 30th June,	
	2002 <i>HK\$'000</i>	2001 (as restated) <i>HK\$'000</i>
Operating (loss)/profit	(142,418)	46,648
Depreciation	551	698
Dividend income	(3,236)	–
Interest income	(615)	(1,538)
Provision for impairment losses of properties under development	15,000	–
Write-down of completed properties for sale	3,000	–
Deficit on revaluation of investment properties	153,000	–
Loss on disposal of other fixed assets	–	19
Gain on disposal of a subsidiary	–	(254)
Gain on deemed disposal of interest in an associated company	–	(8,667)
Decrease/(increase) in properties completed and under development for sale	21,982	(25,739)
Increase in inventories	(17)	–
Decrease/(increase) in accounts receivable and prepayments	167,168	(2,007)
(Decrease)/increase in customer and rental deposits	(534)	2,909
Decrease in accounts payable and accruals	(16,871)	(13,082)
Decrease in amounts due to related companies	(1,223)	(45)
Exchange difference	135	21
	<hr/>	<hr/>
Net cash inflow/(outflow) from operations	195,922	(1,037)
Dividend received	3,236	–
Interest received	610	1,372
Interest paid	(4,366)	(29,003)
Hong Kong profits tax paid	(2,488)	(565)
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Net cash inflow/(outflow) from operating activities	<u>192,914</u>	<u>(29,233)</u>

NOTES TO THE ACCOUNTS

(18) 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,	
		2002 HK\$'000	2001 HK\$'000
Rental income from related companies	(a)	847	1,178
Management fee paid to a related company	(b)	1,600	1,920
Purchase of goods and services from a related company	(c)	781	1,472
Interest paid to a fellow subsidiary	(d)	2,426	2,866
Interest paid to a shareholder	(e)	-	2,315
Proceeds on disposal of investments in property interests to a related company	(f)	-	341,533

- (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) 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.
- (c) 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 terms.
- (d) Loan interest paid to a fellow subsidiary of the Company was at prevailing market interest rates.
- (e) Loan interest paid to Designcase Limited, a shareholder of the Company, was at prevailing market interest rates.
- (f) During the corresponding period last year, the Group entered into an agreement with a wholly owned subsidiary of China Overseas Land & Investment Limited ("China Overseas") to dispose of the entire interest in Fortune Best Investment Limited, a subsidiary owning a 60% interest in Shanghai Square. 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.

(19) Restatement of Comparatives for 2001

The comparatives for 2001 have been restated to conform with the change in accounting policies upon adoption of SSAP 31 "Impairment of assets" and Interpretation 13 "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves" which are effective for accounting periods commencing on or after 1st January, 2001. The effect of adopting the above standard and interpretation has been detailed in the 2001 annual financial statements. The change has resulted in an increase in profit for the six months ended 30th June, 2001 by HK\$6,853,000 which represents part of the gain on deemed disposal of interest in an associated company.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19 OF THE LISTING RULES

The Group had amounts due from affiliated companies in a total sum of HK\$634.8 million as at 30th June, 2002, 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 <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
Investment properties	240,000	96,000
Other fixed assets	2,224	785
Investments	9,452	4,726
Properties under development	386,275	136,355
Completed properties for sale	83,482	29,469
Other net current liabilities	(49,143)	(18,014)
	<hr/>	<hr/>
Total assets less current liabilities	672,290	249,321
	<hr/>	<hr/>
Long-term liabilities	(1,747,685)	(651,369)
	<hr/>	<hr/>
Net liabilities	<u>(1,075,395)</u>	<u>(402,048)</u>

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2002, 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⁾	–	42,434,000 ⁽²⁾	753,012,000 ⁽¹⁾
Mr. Raymond Liang-ming Hu	40,000,000	–	753,012,000 ⁽¹⁾
Mr. Herman Shao-ming Hu	7,500,000	–	753,012,000 ⁽¹⁾
Mr. David Hsu ⁽³⁾	650,000	–	–
Mr. Tony Ka-tung Leung ⁽⁴⁾	–	–	–
Mr. Cham-son Chau	–	–	–
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% interests in Designcase Limited which is deemed to be interested in 753,012,000 shares of the Company. Mr. and Mrs. Fa-kuang Hu own the remaining 1% interests in Designcase Limited.
- Mr. Fa-kuang Hu is deemed to be interested in 42,434,000 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. The remaining balance of 1,350,000 share options lapsed on expiry as of 15th April, 2002.
- 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. Mr. Tony Ka-tung Leung did not exercise the options, which lapsed on expiry as of 31st August, 2002.

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

(1) The Company *(Continued)*

5. Mr. Hon-chiu Lee resigned as a non-executive director of the Company with effect from 15th January, 2002. Mr. Lee did not have any interests in the securities of the Company during the period from 1st January, 2002 to 14th January, 2002.
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 interests 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, 2002, 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⁾	753,012,000
Summit Holdings Limited ⁽¹⁾	753,012,000
Cititrust (Cayman) Limited ⁽¹⁾	753,012,000

Note:

1. The figure of 753,012,000 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June, 2002, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold 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, subsidies and Continuing Professional Development (CPD). Our competitive remuneration package is periodically reviewed to go in line with market.

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 ("Appendix 14"). None of the directors is aware of information that would reasonably indicate that the Company is, or was at any time, during the six months ended 30th June, 2002, not in compliance with Appendix 14.

AUDIT COMMITTEE

The Audit Committee of the Company comprises two independent non-executive directors, namely Dr. Wai-yung Wu and Ms. Maria Wai-chu Tam.

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, 2002.

By Order of the Board
Fa-kuang Hu
Chairman

Hong Kong, 10th September, 2002

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