



REALTY DEVELOPMENT CORPORATION LIMITED

聯邦地產有限公司

INTERIM REPORT TO SHAREHOLDERS

for the half-year period ended 30 September 2002

致股東中期報告書

截至二〇〇二年九月三十日止半年度

GROUP RESULTS

The Group reported an unaudited loss attributable to Shareholders for the six months ended 30 September 2002 of HK\$352.9 million, compared to a profit of HK\$77.9 million in the same period last year. Loss per share was 30.6 cents. The results for the period under review included a provision made for the property held for development having regard to the prevailing market conditions.

INTERIM DIVIDEND

The Board has declared an interim dividend of 3.0 cents (2001 : 3.0 cents) per share in respect of the half-year period ended 30 September 2002, payable on Thursday, 23 January 2003 to Shareholders on record as at 10 January 2003.

BUSINESS REVIEW & PROSPECTS

Burdened with continuous deflation and rising unemployment, sentiment was mostly sluggish during the first few months of the year. In spite of the improving trade performance since second quarter, persistent corporate downsizing activities have been dampening consumption as well as job security. Not until October, the local primary property market turned more lively in anticipation of the Property Stimulus Package, as announced by the HKSAR Government last week.

Property Development

During the period under review, the Group continued its sales of various property projects, including Sorrento Phase I, Palm Cove, The Regalia, The Astrid, Forest Hill and My Loft.

After releasing Sorrento Phase I at the end of last year, the launch of Phase II is now being actively prepared. Sorrento is an MTRC joint-venture project above the Kowloon Station, equally owned by a five-member consortium comprising the Group, Wheelock, New Asia Realty, Wharf and Harbour Centre Development. The total area for the entire development is 2.5 million square feet with 2,126 units under two phases. With more than 80 per cent of the 1,272 Phase I units sold, Phase II covering 854 units in two towers will be launched within the coming month. Completion for Phases I and II is expected to take place some time during first quarter 2003 and first quarter 2004 respectively.

The King's Park development is owned by a five-member consortium comprising the Group, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential site located in Homantin is being developed into eight towers consisting of 700 units with a total GFA of 904,200 square feet. Following the completion of demolition works, foundation works are now in progress. Pre-sale is targeted to take place during the first quarter of 2003.

Outlook

Even though Hong Kong might still need to go through some turbulence in the near term, her long term fundamentals remain indisputably intact. With trading and commerce being really Hong Kong's core competence, several macro-factors are moving towards extremely favourable directions - the continual high growth story of China and further easing of interest rates. As confirmed recently by the Premier, China's GDP growth in 2002 may hit as high as eight per cent; latest moves adopted by the U.S. Federal Reserve also indicated that the current benign interest rate environment is going to stay on for quite some time.

With its sizeable landbank, mainly represented by its 20 per cent interest in each of Sorrento and the King's Park development, the Group is well-placed to take advantage of the gradual recovery of the economy.



CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the six months ended 30 September 2002

	Note	Unaudited 30/9/2002 HK\$Million	Unaudited 30/9/2001 HK\$Million
Turnover	3	505.9	334.6
Other net loss	4	(0.9)	(13.7)
		<u>505.0</u>	<u>320.9</u>
Direct costs and operating expenses		(384.5)	(187.9)
Selling and marketing expenses		(19.6)	(12.7)
Administrative and corporate expenses		(8.2)	(15.3)
Operating profit	3	<u>92.7</u>	<u>105.0</u>
Provision for impairment in value of properties	5	(434.5)	—
Borrowing costs	6	(7.0)	(25.5)
Share of profits less losses of associates		2.3	2.0
(Loss)/profit before taxation		<u>(346.5)</u>	<u>81.5</u>
Taxation	7	(6.3)	(3.5)
(Loss)/profit after taxation		<u>(352.8)</u>	<u>78.0</u>
Minority interests		(0.1)	(0.1)
(Loss)/profit attributable to shareholders		<u>(352.9)</u>	<u>77.9</u>
Interim dividend proposed after the balance sheet date	8	<u>34.5</u>	<u>34.5</u>
(Loss)/earnings per share	9	<u>(30.6) cents</u>	<u>6.8 cents</u>

CONSOLIDATED BALANCE SHEET
at 30 September 2002

	Note	Unaudited 30/9/2002 HK\$Million	Audited 31/3/2002 HK\$Million
Non-current assets			
Investment properties		1,737.9	2,059.0
Associates		1,326.9	1,278.9
Long-term investments		991.2	1,547.4
Deferred debtors		106.5	43.9
		<u>4,162.5</u>	<u>4,929.2</u>
Current assets			
Properties under development for sale		1,039.5	1,243.3
Properties held for sale		277.4	332.6
Trade and other receivables	10	184.0	61.6
Bank balances and deposits		423.7	19.8
		<u>1,924.6</u>	<u>1,657.3</u>
Current liabilities			
Trade and other payables	11	167.7	125.3
Deposits from sale of properties		457.3	—
Amounts due to fellow subsidiaries		1.6	1.1
Taxation		8.5	4.0
		<u>635.1</u>	<u>130.4</u>
Net current assets		<u>1,289.5</u>	<u>1,526.9</u>
Total assets less current liabilities		<u>5,452.0</u>	<u>6,456.1</u>
Capital and reserves			
Share capital		230.3	230.3
Reserves	12	4,740.1	5,744.3
		<u>4,970.4</u>	<u>5,974.6</u>
Minority interests		5.6	5.5
Non-current liabilities			
Long-term bank loans		476.0	476.0
Total equity and non-current liabilities		<u>5,452.0</u>	<u>6,456.1</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2002

	Note	Unaudited 30/9/2002 HK\$Million	Unaudited 30/9/2001 HK\$Million (Restated)
Net cash inflow from operating activities		282.8	278.2
Net cash inflow relating to investing activities		190.2	59.3
Net cash outflow relating to financing activities		(69.1)	(329.7)
Increase in cash and cash equivalents		403.9	7.8
Cash and cash equivalents at 1 April	1(c)	19.8	19.0
Cash and cash equivalents at 30 September		<u>423.7</u>	<u>26.8</u>
Analysis of the balances of cash and cash equivalents			
Deposits and cash		<u>423.7</u>	<u>26.8</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2002

	Unaudited 30/9/2002 HK\$Million	Unaudited 30/9/2001 HK\$Million
Total equity at 1 April	5,974.6	6,471.3
Deficit on revaluation of:		
Investment properties	(316.7)	—
Non-trading securities	(274.6)	(529.8)
Net losses not recognised in the profit and loss account	(591.3)	(529.8)
(Loss)/profit attributable to shareholders	(352.9)	77.9
Final dividend approved in respect of previous year	(69.1)	(69.1)
Reserves transferred to the profit and loss account on disposal of:		
Investment properties	(7.5)	—
Non-trading securities	16.6	—
Total equity at 30 September	<u>4,970.4</u>	<u>5,950.3</u>

NOTES TO INTERIM ACCOUNTS

(1) Basis of preparation of the accounts

The unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2002 except for the changes in accounting policies as described below.

(a) *SSAP 1 (Revised) "Presentation of financial statement"*

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) *SSAP 11 (Revised) "Foreign currency translation"*

The profit and loss accounts of foreign enterprises are translated into Hong Kong dollars at the weighted average exchange rates during the period. This is a change in accounting policy from prior years where these were translated at the exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.

(c) *SSAP 15 (Revised) "Cash flow statements"*

A revised classification of activities from which cash flows are derived has been made.

With effect from 1 April 2002, with the introduction of the revised SSAP 15 "Cash flow statements", the Group defines cash and cash equivalents as cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year's figures, cash and cash equivalents as at 1 April 2001 was restated and increased by HK\$133.0 million. In addition, certain presentational changes have been made on adoption of SSAP 15.



(2) Segment information

	Segment Revenue		Segment Results	
	30/9/2002 HK\$Million	30/9/2001 HK\$Million	30/9/2002 HK\$Million	30/9/2001 HK\$Million
(a) Business segments				
Property development	387.4	201.2	1.2	19.2
Property investment	72.7	68.0	53.4	44.9
Investment and others	45.8	65.4	43.1	48.3
	<u>505.9</u>	<u>334.6</u>	<u>97.7</u>	<u>112.4</u>
Unallocated expenses			(5.0)	(7.4)
Operating profit			92.7	105.0
Provision for impairment in value of properties			(434.5)	—
Borrowing costs			(7.0)	(25.5)
Associates				
Property development			1.6	1.3
Investment and others			0.7	0.7
(Loss)/profit before taxation			<u>(346.5)</u>	<u>81.5</u>
(b) Geographical segments				
Hong Kong	494.0	321.1	80.8	92.2
Singapore	11.9	13.5	11.9	12.8
	<u>505.9</u>	<u>334.6</u>	<u>92.7</u>	<u>105.0</u>

(3) Turnover and operating profit

(a) Turnover		
The principal activities of the Group are property development, property investment, treasury management and investment holding. An analysis of the Group's turnover is as follows:		
	30/9/2002 HK\$Million	30/9/2001 HK\$Million
Property development	387.4	201.2
Property investment	72.7	68.0
Investment and others	45.8	65.4
	<u>505.9</u>	<u>334.6</u>
(b) Operating profit		
	30/9/2002 HK\$Million	30/9/2001 HK\$Million
Operating profit is arrived at after charging:		
Cost of properties sold	<u>364.7</u>	<u>166.3</u>
and after crediting:		
Dividend income for listed securities	<u>30.4</u>	<u>35.5</u>

(4) Other net loss

	30/9/2002 HK\$Million	30/9/2001 HK\$Million
Net loss on disposal of non-trading securities	(2.1)	(13.7)
Others	<u>1.2</u>	<u>—</u>
	<u>(0.9)</u>	<u>(13.7)</u>

(5) Provision for impairment in value of properties

In view of the depressed property market and following an internal review, the Group has made a provision of HK\$434.5 million, mainly for the impairment in value of the Group's land bank reserved for development.

(6) Borrowing costs

	30/9/2002 HK\$Million	30/9/2001 HK\$Million
Interest payable on bank loans and overdrafts	5.8	20.5
Other borrowing costs	<u>1.2</u>	<u>5.0</u>
	<u>7.0</u>	<u>25.5</u>

The Group's average borrowing interest rate for the six months period was 2.4% (2001 : 5.0%) per annum.

(7) Taxation

The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16% (2001 : 16%). The taxation charge is made up as follows:

	30/9/2002 HK\$Million	30/9/2001 HK\$Million
Company and subsidiaries		
Hong Kong profits tax for the period	5.7	3.4
Associates		
Hong Kong profits tax for the period	<u>0.6</u>	<u>0.1</u>
	<u>6.3</u>	<u>3.5</u>



(8) Dividends

(a) Dividends attributable to the period

	30/9/2002	30/9/2001
	HK\$Million	HK\$Million
Interim dividend proposed after the balance sheet date of 3.0 cents (2001 : 3.0 cents) per share	<u>34.5</u>	<u>34.5</u>

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the period

	30/9/2002	30/9/2001
	HK\$Million	HK\$Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 6.0 cents (2001 : 6.0 cents) per share	<u>69.1</u>	<u>69.1</u>

(9) (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss for the period of HK\$352.9 million (2001 : profit of HK\$77.9 million) and 1,151.4 million ordinary shares in issue throughout the financial period ended 30 September 2002 and the previous year's corresponding period.

(10) Trade and other receivables

The Group maintains defined credit policies for its businesses and trade debtors are closely monitored in order to control credit risk associated with trade debtors.

Included in trade and other receivables are trade debtors with an ageing analysis as at 30 September 2002 as follows:

	30/9/2002	31/3/2002
	HK\$Million	HK\$Million
Current	16.4	13.1
31 - 60 days	2.3	0.2
61 - 90 days	0.4	0.2
Over 90 days	<u>0.7</u>	<u>0.9</u>
	<u>19.8</u>	<u>14.4</u>

(11) Trade and other payables

Included in trade and other payables are trade creditors with an ageing analysis as at 30 September 2002 as follows:

	30/9/2002 HK\$Million	31/3/2002 HK\$Million
Amounts payable in the next:		
0 - 30 days	17.3	18.8
31 - 60 days	0.3	0.9
61 - 90 days	17.3	15.4
Over 90 days	44.4	30.9
	<u>79.3</u>	<u>66.0</u>

(12) Reserves

	Capital redemption reserve HK\$Million	Investment property revaluation reserves HK\$Million	Investment revaluation reserves HK\$Million	Other capital reserves HK\$Million	Revenue reserves HK\$Million	Total HK\$Million
Company and subsidiaries						
Balance at 1 April 2002	0.5	793.0	(570.7)	392.0	5,104.6	5,719.4
Dividend approved in respect of the previous year (Note 8b)	—	—	—	—	(69.1)	(69.1)
Revaluation deficit	—	(316.7)	(269.4)	—	—	(586.1)
Realised on disposal	—	(7.5)	16.6	—	—	9.1
Loss for the period absorbed	—	—	—	—	(358.4)	(358.4)
Balance at 30 September 2002	<u>0.5</u>	<u>468.8</u>	<u>(823.5)</u>	<u>392.0</u>	<u>4,677.1</u>	<u>4,714.9</u>
Associates						
Balance at 1 April 2002	—	—	4.7	—	20.2	24.9
Revaluation deficit	—	—	(5.2)	—	—	(5.2)
Profit for the period retained	—	—	—	—	5.5	5.5
Balance at 30 September 2002	<u>—</u>	<u>—</u>	<u>(0.5)</u>	<u>—</u>	<u>25.7</u>	<u>25.2</u>
Total reserves						
at 30 September 2002	<u>0.5</u>	<u>468.8</u>	<u>(824.0)</u>	<u>392.0</u>	<u>4,702.8</u>	<u>4,740.1</u>
Total reserves at 31 March 2002	<u>0.5</u>	<u>793.0</u>	<u>(566.0)</u>	<u>392.0</u>	<u>5,124.8</u>	<u>5,744.3</u>

(13) Contingent liabilities

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$620.8 million (31/3/2002 : HK\$800.2 million) of which HK\$263.2 million (31/3/2002 : HK\$372.4 million) has been drawn at the balance sheet date.
- (b) The Company, a fellow subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement for the development of the Sorrento project.



(14) Commitments

	30/9/2002 HK\$Million	31/3/2002 HK\$Million
Acquisition of and future development expenditure relating to properties: Contracted but not provided for	<u>207.0</u>	<u>379.0</u>

(15) Related party transactions

Except for the transactions noted below, the Group has not been a party to any material related party transaction during the period ended 30 September 2002.

(a) *Sorrento project*

- (i) Included in interest in associates is a loan of HK\$954.4 million (31/3/2002 : HK\$901.9 million) made by the Group to an associate involved in the Sorrento project. The loan bears interest at rates determined by shareholders of the associate with reference to prevailing market rates which were between 3.0% and 3.5% (2001 : 5.8% to 7.1%) per annum for the period. Interest income in respect of loans to the associate for the period ended 30 September 2002 amounted to HK\$15.6 million (2001 : HK\$33.3 million). The loan is unsecured and has no fixed terms of repayment.
- (ii) The Company, a fellow subsidiary and the ultimate holding company together with its two associates have severally guaranteed bank loan facilities granted to a subsidiary of an associate, Hopfield Holdings Limited, to finance the Sorrento project. The amount of guarantee given attributable to the Group was HK\$120.0 million (31/3/2002 : HK\$299.4 million).
- (iii) As disclosed in note 13(b), the Company, a fellow subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms by the subsidiary of an associate under an agreement to develop the Sorrento project.

The above are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirement was granted by the Stock Exchange in 1997.

(b) *The King's Park development*

- (i) Included in interest in associates is an advance of HK\$289.0 million (31/3/2002 : HK\$284.3 million) made by the Group to an associate involved in a development project at King's Park, Homantin. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. At present, the interest rate of the loan has yet to be agreed.
- (ii) The Group together with other shareholders have severally guaranteed bank loans facilities granted to an associate, Grace Sign Limited, to finance the King's Park development project. The amount of guarantee given attributable to the Group was HK\$500.8 million (31/3/2002 : HK\$500.8 million). These transactions do not constitute connected transactions as defined under the Listing Rules.

- (c) No General Managers' Commission (2001 : HK\$4.3 million) was paid by the Group to a related party for the provision of management services to the Group during the 6-month period as the Group sustained a loss. The payment of amounts to the General Managers is governed by agreements dated 31 March 1992 and 3 March 2000 respectively, which constitute connected transactions as defined under the Listing Rules, but are exempted from the requirements of the Listing Rules under paragraph 14.24 (2) thereof relating to connected transactions.

(16) Comparative figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for cash and cash equivalents in the condensed consolidated cash flow statement, and the condensed consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity, in order to comply with SSAPs 15 (Revised) and 1 (Revised) respectively, details of which are set out in note (1).

(17) Review of unaudited interim accounts

The unaudited interim accounts for the six months ended 30 September 2002 have been reviewed by the audit committee of the Company.

COMMENTARY ON INTERIM ACCOUNTS

(I) Review of 2002/03 Interim Results and Segmental Performance

The Group reported a loss attributable to Shareholders of HK\$352.9 million for the six months ended 30 September 2002 as compared to a profit of HK\$77.9 million for the corresponding period last year. The results for the period included a provision of HK\$434.5 million made for impairment in value of properties held for development. Loss per share was 30.6 cents (2001 : earnings per share 6.8 cents).

Turnover and revenue

The Group's turnover for the period was HK\$505.9 million compared to HK\$334.6 million recorded in the corresponding period in 2001/02, an increase of HK\$171.3 million or 51.2%. This was mainly due to an increase in property sales by HK\$186.2 million.

Property sales during the period principally arose from the pre-sale of residential units at Palm Cove, which were launched in March 2002. Out of the total 260 units, 194 units have already been sold. Other property sales during the period under review were in respect of various units at Forest Hill, The Regalia and Bailey Garden.

Notwithstanding the lackluster market condition, the Property Investment segment managed to report an increase in revenue of HK\$4.7 million to HK\$72.7 million. This was mainly attributable to an overall improvement in occupancy rate. The Group's two core investment properties, namely, Wheelock House and Fitfort, were virtually fully let at the end of the period under review.

Operating profit

The Group's operating profit before borrowing costs and property provision was HK\$92.7 million, a decrease of HK\$12.3 million or 11.7% as compared to HK\$105.0 million for the corresponding period last year.



For the period under review, the property market remained sluggish. Profit contribution from the Property Development segment decreased by HK\$18.0 million to HK\$1.2 million resulting from reduced profit margins on property sales. Operating profit of Property Investment segment increased by HK\$8.5 million to HK\$53.4 million. Investment income for the period amounted to HK\$43.1 million, including mainly recurrent dividend income generated from the Group's long-term investment portfolio and interest earned.

Property provision

In view of the depressed property market and following an internal review, the Group has made a provision for the impairment in value of the Group's land bank reserved for development. A provision of HK\$434.5 million was made in the period under review for this purpose.

Having regard to the prevailing market conditions, the Group's investment properties were also revalued, resulting in a deficit of HK\$316.7 million charged against the investment property revaluation reserves account in accordance with the Group's accounting policy.

Borrowing costs and other items

Borrowing costs charged to the profit and loss account for the period were HK\$7.0 million, decreased substantially from HK\$25.5 million incurred in the last corresponding period as a result of the interest rate cuts and the reduction in the Group's net debt. For the period under review, the Group's average borrowing cost was approximately 2.4% per annum, reduced from 5.0% per annum for the same period last year.

Share of profits of associates was HK\$2.3 million compared to HK\$2.0 million for the same period last year. For the period under review, included in share of associates' results is the Group's 20% share of profits recognised from the pre-sale of the Sorrento Phase I.

Taxation charge was HK\$6.3 million compared to HK\$3.5 million in the previous year's corresponding period.

Further information on the segmental details is provided in note (2) to the accounts.

(II) Liquidity and Financial Resources

- (a) At 30 September 2002, the Group's shareholders' funds totalled HK\$4,970.4 million or HK\$4.32 per share, decreased from HK\$5,974.6 million or HK\$5.19 per share at 31 March 2002 mainly due to the downward revaluation of the Group's properties and long-term investments.
- (b) At 30 September 2002, the Group's net debt amounted to HK\$52.3 million, representing total debts of HK\$476.0 million less deposits and cash of HK\$423.7 million, a decrease of HK\$403.9 million as compared with HK\$456.2 million at 31 March 2002. Accordingly, the Group's net debt represented 0.9% (31/3/2002 : 6.9%) of its total assets. The decrease in the Group's net debt was mainly due to net cash generated from operating activities and proceeds from disposal of certain securities during the period under review.

The debt maturity profile of the Group at 30 September 2002 is analysed as follows:

	30/9/2002 HK\$Million	31/3/2002 HK\$Million
Repayable after 2 years, but within 5 years	<u>476.0</u>	<u>476.0</u>

- (c) Excluding the project loans undertaken by associates, the Group's committed and uncommitted loan facilities amounted to HK\$660 million and HK\$100 million respectively. The total amount of facilities was HK\$1.1 billion lower than that at 31 March 2002, which was mainly due to the cancellation of surplus facilities resulting from the decrease in net debt as mentioned above.

The following assets of the Group have been pledged for securing bank loan facilities:

	30/9/2002 HK\$Million	31/3/2002 HK\$Million
Investment properties	948.0	1,015.0
Long-term investments	—	491.4
Properties under development for sale	—	433.0
	<u>948.0</u>	<u>1,939.4</u>

- (d) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars. The Group has no significant exposure to foreign exchange rate fluctuations.
- (e) At 30 September 2002, the Group maintained a portfolio of long-term investments with market value of HK\$991.2 million (31/3/2002 : HK\$1,547.4 million), which primarily comprised blue chip securities.

In accordance with the Group's accounting policy, the non-trading securities classified as long-term investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the security is sold. For the period under review, the attributable deficit thus recognised was HK\$258 million, resulting in the investment revaluation deficit at 30 September 2002 totalling HK\$824 million compared to HK\$566 million at 31 March 2002. The performance of the investment portfolio is basically in line with the general market trend of the stock markets.

(III) Employees

The Group has no employees. All management, administrative and related services are provided to the Company and its subsidiaries by their general managers which are fellow subsidiaries of the Company.



DISCLOSURE UNDER PRACTICE NOTE 19

In relation to the provision of financial assistance by the Company and/or its subsidiaries to certain associates of the Company, namely, Hopfield Holdings Limited ("Hopfield") and Grace Sign Limited ("Grace Sign") and/or their respective wholly-owned subsidiaries (together, the "Borrowers"), all of which were as previously disclosed in the Company's annual report for the year ended 31 March 2002, obligations in relation to the abovementioned financial assistance by the Group continued to exist as at 30 September 2002.

Set out below is a proforma combined balance sheet of the Borrowers as at 31 October 2002 (being the latest practicable date for determining the relevant figures) required to be disclosed under Practice Note 19 of the Listing Rules:

Proforma Combined Balance Sheet of Borrowers

as at 31 October 2002

	HK\$Million
Properties under development/for sale	10,650.8
Stakeholders' deposits	659.2
Deposits from sale of properties	(3,433.1)
Other net current liabilities	(237.7)
Bank loans	(1,328.0)
	<hr/>
	6,311.2
Shareholders' loans	(6,255.0)
Shareholders' funds	<hr/> <u>56.2</u>

Financial assistance given by the Group is made up as follows:

	Loan advances HK\$Million	Guaranteed Bank Facilities		Total HK\$Million
		Amount drawn HK\$Million	Not yet drawn HK\$Million	
Hopfield	960.9	—	120.0	1,080.9
Grace Sign	<u>290.1</u>	<u>265.6</u>	<u>235.2</u>	<u>790.9</u>
	<hr/> <u>1,251.0</u>	<hr/> <u>265.6</u>	<hr/> <u>355.2</u>	<hr/> <u>1,871.8</u>

Note: The Group's attributable interests in both Hopfield and Grace Sign were 20% as at 31 October 2002.

Terms of the financial assistance:

Funding for Hopfield

Loan in the amount of HK\$960.9 million made to Hopfield bears interest at such rate as may from time to time be agreed among all Hopfield shareholders, with reference to interest rates prevailing in the lending market, currently being fixed at 3.0% per annum (also applicable to all the loans made to Hopfield by all other Hopfield's shareholders). The loan is not repayable for so long as any borrowings under the abovementioned guaranteed bank facilities remain outstanding, except under certain circumstances as permitted under the relevant agreement for those bank facilities. No security is provided to the Group for the loan.

The Group's *pro rata* share of its financial obligation in respect of the bank facilities available to Hopfield amounted to HK\$120.0 million. Such bank facilities are obtained upon normal commercial terms and at interest rates prevailing in the lending market. No security is provided to the Group by Hopfield against the issue of the relevant guarantee by the Group.

Funding for Grace Sign

Loan in the amount of HK\$290.1 million made to Grace Sign bears interest at such rate as may from time to time be agreed among Grace Sign's shareholders. At present, the interest rate of the loan has yet to be agreed by the shareholders of Grace Sign. Repayment of the loan will be subject to, *inter alia*, all borrowings under the abovementioned guaranteed bank facilities having been fully repaid, except under certain circumstances as permitted under the relevant agreement for those bank facilities. No security is provided to the Group for the loan.

The Group's *pro rata* share of its financial obligation in respect of the bank facilities available to Grace Sign amounted to HK\$500.8 million of which HK\$265.6 million has been drawn. Such banking facilities are obtained upon normal commercial terms and at interest rates prevailing in the lending market. No security is provided to the Group by Grace Sign against the issue of the relevant guarantee by the Group.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company was not 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 (the "Stock Exchange"), at any time during the six months ended 30 September 2002.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2002, Directors of the Company had the following personal beneficial interests in the share capital of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), and an associate of Wheelock, namely, The Wharf (Holdings) Limited ("Wharf"):

	No. of Ordinary Shares
Wheelock	
Mr. J. T. Hung	10,000
Mr. T. Y. Ng	70,000
Wharf	
Mr. T. Y. Ng	178,016

Save as disclosed above, as recorded in the register kept by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") in respect of information required to be notified to the Company and the Stock Exchange pursuant to that Ordinance or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests held as at 30 September 2002 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and



- (ii) there existed during the financial period no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 30 September 2002 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

	Names	No. of Ordinary Shares
(i)	Pomeroy Investments Limited	328,400,050
(ii)	Core Holdings Limited	328,400,050
(iii)	New Asia Realty and Trust Company, Limited	833,873,273
(iv)	Wheelock Properties Limited	853,940,779
(v)	Wheelock and Company Limited	853,940,779
(vi)	Bermuda Trust (Guernsey) Limited	853,940,779

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) and (ii) represent the same block of shares and are entirely duplicated or included in the shareholdings stated against party (iii) above and that the shareholdings stated against party (iii) above are entirely duplicated or included in the relevant shareholdings stated against party (iv) above, and that the shareholdings stated against parties (iv), (v) and (vi) above represent the same block of shares; all of the abovenamed parties were deemed to be interested in the relevant shareholdings under the SDI Ordinance as at 30 September 2002.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

BOOK CLOSURE

The Register of Members will be closed from Tuesday, 7 January 2003 to Friday, 10 January 2003, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, not later than 4:00 p.m. on Monday, 6 January 2003.

By Order of the Board
Wilson W. S. Chan
Secretary

Hong Kong, 19 November 2002