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**NEW ASIA REALTY AND TRUST COMPANY, LIMITED**

**新亞置業信託有限公司**

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**INTERIM REPORT TO SHAREHOLDERS**

for the half-year period ended 30th September 2002

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致股東中期報告書

截至二〇〇二年九月三十日止半年度

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## **GROUP RESULTS**

The Group reported an unaudited loss attributable to Shareholders for the six months ended 30 September 2002 of HK\$122.3 million, compared to a profit of HK\$204.7 million in the same period last year. Loss per share was 5.9 cents. The results for the period under review included a provision mainly made for the property held for development having regard to the prevailing market conditions.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of 2.0 cents (2001 : 2.0 cents) per share in respect of the half-year period ended 30 September 2002, payable on Friday, 24 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 Activities**

#### *Company's own interests*

In September 2002, Bellagio Phase I, consisting of 840 units, was launched with tremendous success. Due to the exceptionally great response received, a decision was made shortly after the initial launch to add also the entire 864 Phase II units to the offer list. As of the end of October 2002, total sales had accumulated to 1,082 units or 63 per cent of available units under Phases I and II. Bellagio, the Sham Tseng site on the western shore of the New Territories, is a joint-venture development equally owned by New Asia Realty, Wheelock and Wharf. With a total area of 3.1 million square feet, it is being developed into 3,354 units in eight towers under four phases. Completion for Phases I and II is expected by first quarter 2003.

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 New Asia Realty, Wheelock, Realty Development Corporation, 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.

*Realty Development Corporation group (72% owned)*

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

The King's Park development is owned by a five-member consortium comprising Realty Development Corporation, 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.

*Marco Polo Developments group (75% owned)*

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road, is currently 96 per cent leased at satisfactory rental rates.

As at 30 September 2002, all 330 apartments in Ardmore Park were sold and resulting proceeds have been substantially collected. Eight apartments in Grange Residences were sold in September 2002 on a deferred payment scheme. Ardmore View is currently 93 per cent leased at satisfactory rental rates.

**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 33 per cent interest in Bellagio, 35 per cent effective interest in Sorrento and 15 per cent effective interest in the King's Park development, the Group is well-placed to take advantage of the gradual recovery of the economy in Hong Kong.

The Singapore economy remains weak. Supply exceeds demand in all sectors of the property market and recovery particularly in the residential and office sectors will take a few years.

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

		<b>Unaudited 30/9/2002</b>	Unaudited 30/9/2001
	<b>Note</b>	<b>HK\$Million</b>	HK\$Million
Turnover	3	<b>1,317.1</b>	2,426.8
Other net loss	4	<b>(23.0)</b>	(26.0)
		<b>1,294.1</b>	2,400.8
Direct costs and operating expenses		<b>(807.2)</b>	(1,441.0)
Selling and marketing expenses		<b>(20.6)</b>	(23.9)
Administrative and corporate expenses		<b>(41.3)</b>	(42.4)
Operating profit	3	<b>425.0</b>	893.5
Provision for impairment in value of properties	5	<b>(468.8)</b>	(162.5)
Borrowing costs	6	<b>(59.3)</b>	(98.7)
Share of profits less losses of associates	7	<b>(61.2)</b>	(135.5)
(Loss)/profit before taxation		<b>(164.3)</b>	496.8
Taxation	8	<b>10.4</b>	(185.9)
(Loss)/profit after taxation		<b>(153.9)</b>	310.9
Minority interests		<b>31.6</b>	(106.2)
<b>(Loss)/profit attributable to shareholders</b>		<b>(122.3)</b>	204.7
Interim dividend proposed after the balance sheet date	9	<b>41.4</b>	41.4
<b>(Loss)/earnings per share</b>	10	<b>(5.9) cents</b>	9.9 cents

**CONSOLIDATED BALANCE SHEET**  
**at 30 September 2002**

	Note	Unaudited 30/9/2002 HK\$Million	Audited 31/3/2002 HK\$Million
<b>Non-current assets</b>			
Fixed assets		3,656.6	3,912.1
Associates		4,447.9	4,313.8
Long-term investments		3,266.4	4,467.8
Deferred debtors		106.5	43.9
		<u>11,477.4</u>	<u>12,737.6</u>
<b>Current assets</b>			
Properties under development			
for sale		2,783.8	3,357.1
Properties held for sale		420.2	395.5
Short-term investments		101.4	—
Trade and other receivables	11	209.7	93.5
Bank balances and deposits		3,467.8	2,980.3
		<u>6,982.9</u>	<u>6,826.4</u>
<b>Current liabilities</b>			
Bank loans and overdrafts		1,533.1	501.8
Trade and other payables	12	424.3	365.1
Deposits from sale of properties		457.3	—
Amounts due to fellow subsidiaries		5.5	7.5
Taxation		475.1	927.8
		<u>2,895.3</u>	<u>1,802.2</u>
<b>Net current assets</b>		<u>4,087.6</u>	<u>5,024.2</u>
<b>Total assets less current liabilities</b>		<u>15,565.0</u>	<u>17,761.8</u>
<b>Capital and reserves</b>			
Share capital		413.9	413.9
Reserves	13	9,998.6	11,069.5
		<u>10,412.5</u>	<u>11,483.4</u>
<b>Minority interests</b>		2,662.3	2,846.0
<b>Non-current liabilities</b>			
Long-term bank loans		2,426.0	3,329.0
Deferred taxation		64.2	103.4
		<u>2,490.2</u>	<u>3,432.4</u>
<b>Total equity and non-current liabilities</b>		<u>15,565.0</u>	<u>17,761.8</u>

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

		Unaudited 30/9/2002	Unaudited 30/9/2001
	Note	HK\$Million	HK\$Million (Restated)
Net cash inflow from operating activities		358.9	2,077.9
Net cash inflow relating to investing activities		66.1	140.6
Net cash outflow relating to financing activities		(43.4)	(523.4)
Increase in cash and cash equivalents		<u>381.6</u>	1,695.1
<b>Cash and cash equivalents at 1 April</b>	1(c)	<b>2,980.3</b>	868.5
Effect of foreign exchange rate changes		<u>105.9</u>	19.0
<b>Cash and cash equivalents at 30 September</b>		<b><u>3,467.8</u></b>	<b><u>2,582.6</u></b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Deposits and cash		<u>3,467.8</u>	<u>2,582.6</u>

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

		Unaudited 30/9/2002	Unaudited 30/9/2001
		HK\$Million	HK\$Million
<b>Total equity at 1 April</b>		<b>11,483.4</b>	12,274.4
Deficit on revaluation of:			
Investment properties	(197.3)	(149.9)	
Non-trading securities	(787.0)	(1,445.3)	
Exchange difference on translation of accounts of foreign entities	<u>132.7</u>	<u>82.7</u>	
Net losses not recognised in the profit and loss account		(851.6)	(1,512.5)
(Loss)/profit attributable to shareholders		(122.3)	204.7
Final dividend approved in respect of previous year		(103.5)	(103.5)
Reserves transferred to the profit and loss account on disposal of:			
Investment properties		(5.4)	—
Non-trading securities		<u>11.9</u>	—
<b>Total equity at 30 September</b>		<b><u>10,412.5</u></b>	<b><u>10,863.1</u></b>

## 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 2002 was restated and increased by HK\$202.9 million (1 April 2001 : HK\$257.3 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
<b>(a) Business segments</b>				
Property development	1,019.0	2,096.2	203.3	653.5
Property investment	137.1	132.4	103.1	91.2
Investment and others	161.0	198.2	127.3	161.6
	<u>1,317.1</u>	<u>2,426.8</u>	<u>433.7</u>	<u>906.3</u>
Unallocated expenses			(8.7)	(12.8)
Operating profit			<u>425.0</u>	<u>893.5</u>
Provision for impairment in value of properties				
Property development			(434.5)	(162.5)
Property investment			(34.3)	—
Borrowing costs			(59.3)	(98.7)
Associates				
Property development			(78.1)	(136.9)
Investment and others			16.9	1.4
(Loss)/profit before taxation			<u>(164.3)</u>	<u>496.8</u>
<b>(b) Geographical segments</b>				
Hong Kong	599.2	428.8	172.6	173.4
Singapore	717.9	1,998.0	252.4	720.1
	<u>1,317.1</u>	<u>2,426.8</u>	<u>425.0</u>	<u>893.5</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	1,019.0	2,096.2
Property investment	137.1	132.4
Investment and others	161.0	198.2
	<u>1,317.1</u>	<u>2,426.8</u>



**(b) Operating profit**

	<b>30/9/2002</b>	30/9/2001
	<b>HK\$Million</b>	HK\$Million
Operating profit is arrived at after charging:		
Cost of properties sold	<b>778.3</b>	1,402.6
Depreciation	<b>0.4</b>	0.5
	<u>          </u>	<u>          </u>
and after crediting:		
Dividend income for listed securities	<b>105.7</b>	105.6
	<u>          </u>	<u>          </u>

**(4) Other net loss**

	<b>30/9/2002</b>	30/9/2001
	<b>HK\$Million</b>	HK\$Million
Net loss on disposal of non-trading securities	<b>(2.1)</b>	(13.7)
Provision for an associate	<b>(23.2)</b>	—
Others	<b>2.3</b>	(12.3)
	<u>          </u>	<u>          </u>
	<b>(23.0)</b>	(26.0)
	<u>          </u>	<u>          </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\$468.8 million mainly for the impairment in value of the Group's land bank reserved for development. The provision for the corresponding period last year was made by Marco Polo Developments group for its Ardmore View project in Singapore.

**(6) Borrowing costs**

	<b>30/9/2002</b>	30/9/2001
	<b>HK\$Million</b>	HK\$Million
Interest payable on bank loans and overdrafts	<b>48.5</b>	89.4
Other borrowing costs	<b>11.9</b>	10.2
	<u>          </u>	<u>          </u>
	<b>60.4</b>	99.6
Less: Amount capitalised	<b>(1.1)</b>	(0.9)
	<u>          </u>	<u>          </u>
	<b>59.3</b>	98.7
	<u>          </u>	<u>          </u>

The Group's average borrowing interest rate for the six months period was 2.5% (2001 : 4.6%) per annum.

**(7) Share of profits less losses of associates**

Share of profits less losses of associates for both periods ended 30 September 2001 and 2002 principally comprised the attributable losses in respect of provisions for the impairment in value of the Bellagio development.

**(8) 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%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	<b>30/9/2002</b>	30/9/2001
	<b>HK\$Million</b>	HK\$Million
<b>Company and subsidiaries</b>		
Hong Kong profits tax for the period	5.7	3.4
Overseas taxation for the period	113.6	775.4
Overprovisions in prior years	(94.3)	—
Deferred taxation	(43.1)	(598.8)
	<u>(18.1)</u>	<u>180.0</u>
<b>Associates</b>		
Hong Kong profits tax for the period	1.2	0.1
Overseas taxation for the period	6.5	5.8
	<u>7.7</u>	<u>5.9</u>
Tax (credit)/charge	<u>(10.4)</u>	<u>185.9</u>

Overprovisions represent the write-back of tax provisions made in prior years in respect of the Ardmore Park project in Singapore resulting from the reduction of Singapore income tax rate from 24.5% to 22% for the year of assessment 2003.

**(9) Dividends**

**(a) Dividends attributable to the period**

	<b>30/9/2002</b>	30/9/2001
	<b>HK\$Million</b>	HK\$Million
Interim dividend proposed after the balance sheet date of 2.0 cents (2001 : 2.0 cents) per share	<u>41.4</u>	<u>41.4</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**

	<b>30/9/2002</b>	30/9/2001
	<b>HK\$Million</b>	HK\$Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 5.0 cents (2001 : 5.0 cents) per share	<b><u>103.5</u></b>	<u>103.5</u>

**(10) (Loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on loss for the period of HK\$122.3 million (2001 : profit of HK\$204.7 million) and 2,069.6 million ordinary shares in issue throughout the financial period ended 30 September 2002 and the previous year's corresponding period.

**(11) Trade and other receivables**

The Group maintains defined credit policies for its businesses and trade debtors are closely monitored in order to control the 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:

	<b>30/9/2002</b>	31/3/2002
	<b>HK\$Million</b>	HK\$Million
Current	<b>16.9</b>	13.5
31 - 60 days	<b>2.3</b>	0.5
61 - 90 days	<b>0.4</b>	0.2
Over 90 days	<b><u>2.1</u></b>	<u>0.9</u>
	<b><u>21.7</u></b>	<u>15.1</u>

**(12) Trade and other payables**

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

	<b>30/9/2002</b>	31/3/2002
	<b>HK\$Million</b>	HK\$Million
Amounts payable in the next:		
0 - 30 days	<b>182.8</b>	162.2
31 - 60 days	<b>0.4</b>	1.4
61 - 90 days	<b>17.3</b>	15.4
Over 90 days	<b>46.0</b>	41.1
	<b>246.5</b>	220.1

**(13) Reserves**

	<b>Capital redemption reserve</b>	<b>Investment property revaluation reserves</b>	<b>Investment revaluation reserves</b>	<b>Other capital reserves</b>	<b>Revenue reserves</b>	<b>Total</b>
	<b>HK\$Million</b>	<b>HK\$Million</b>	<b>HK\$Million</b>	<b>HK\$Million</b>	<b>HK\$Million</b>	<b>HK\$Million</b>
<b>Company and subsidiaries</b>						
Balance at 1 April 2002	4.9	202.7	(120.0)	(83.4)	11,635.9	11,640.1
Final dividend approved in respect of the previous year (Note 9b)	—	—	—	—	(103.5)	(103.5)
Revaluation deficit	—	(197.3)	(778.2)	—	—	(975.5)
Realised on disposal	—	(5.4)	11.9	—	—	6.5
Exchange difference	—	—	—	129.3	—	129.3
Loss for the period absorbed	—	—	—	—	(71.6)	(71.6)
Balance at 30 September 2002	<u>4.9</u>	<u>—</u>	<u>(886.3)</u>	<u>45.9</u>	<u>11,460.8</u>	<u>10,625.3</u>
<b>Associates</b>						
Balance at 1 April 2002	—	—	8.1	1.7	(580.4)	(570.6)
Revaluation deficit	—	—	(8.8)	—	—	(8.8)
Exchange difference	—	—	—	3.4	—	3.4
Loss for the period absorbed	—	—	—	—	(50.7)	(50.7)
Balance at 30 September 2002	<u>—</u>	<u>—</u>	<u>(0.7)</u>	<u>5.1</u>	<u>(631.1)</u>	<u>(626.7)</u>
<b>Total reserves at 30 September 2002</b>	<b>4.9</b>	<b>—</b>	<b>(887.0)</b>	<b>51.0</b>	<b>10,829.7</b>	<b>9,998.6</b>
<b>Total reserves at 31 March 2002</b>	<b>4.9</b>	<b>202.7</b>	<b>(111.9)</b>	<b>(81.7)</b>	<b>11,055.5</b>	<b>11,069.5</b>

**(14) Contingent liabilities**

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$1,936.1 million (31/3/2002 : HK\$2,459.2 million) of which HK\$325.4 million (31/3/2002 : HK\$552.8 million) has been drawn at the balance sheet date.
- (b) The Company, a non wholly-owned 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.

**(15) Commitments**

	<b>30/9/2002</b>	31/3/2002
	<b>HK\$Million</b>	HK\$Million
(a) Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	<u>675.2</u>	<u>904.0</u>
(b) At 30 September 2002, forward exchange contracts amounting to HK\$1,736.2 million (31/3/2002 : HK\$1,703.4 million) were outstanding.		

**(16) 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 are loans of HK\$1,908.8 million (31/3/2002 : HK\$1,803.8 million) made by the Group to an associate involved in the Sorrento project. The loans bear interest at rates as 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\$31.2 million (2001 : HK\$66.6 million). The loans are unsecured and have no fixed terms of repayment.
  - (ii) The Company, a non wholly-owned subsidiary and the ultimate holding company together with its two associates have severally guaranteed bank loans 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\$240.0 million (31/3/2002 : HK\$598.8 million).

- (iii) As disclosed in note 14(b), the Company, a non wholly-owned 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 requirements was granted by the Stock Exchange in 1997.

(b) *Bellagio project*

- (i) Included in interest in associates is an advance of HK\$2,777.4 million (31/3/2002 : HK\$2,653.5 million) made by the Group to an associate involved in the Bellagio project. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. At present, the advance is interest free, unsecured and has no fixed terms of repayment.
- (ii) The Company together with the ultimate holding company and an associate of the ultimate holding company have severally guaranteed bank loans facilities granted to a subsidiary of an associate, Diamond Hill Development Holdings Limited, to finance the Bellagio project. The amount of guarantee given attributable to the Group was HK\$1,133.3 million (31/3/2002 : HK\$1,266.7 million).

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 requirements was granted by the Stock Exchange in 1994.

(c) *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.

- (d) The Group paid a General Managers' Commission to a related party of HK\$3.9 million (2001 : HK\$7.8 million) for the provision of management services to the Group during the period. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992, which constitutes a connected transaction as defined under the Listing Rules, but is exempted from the requirements of the Listing Rules under paragraph 14.24(2) thereof relating to connected transactions.
- (e) The Group received dividend income in the amount of HK\$86.0 million during the period ended 30 September 2002 (2001 : HK\$86.0 million) in respect of investments in a related company.

**(17) 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).

**(18) 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\$122.3 million for the six months ended 30 September 2002 as compared to a profit of HK\$204.7 million for the corresponding period last year. The results for the period included a provision of HK\$468.8 million made for impairment in value of certain properties. Loss per share was 5.9 cents as opposed to the earnings per share of 9.9 cents achieved in the first half of last financial year.

#### *Turnover and revenue*

The Group's turnover for the period was HK\$1,317.1 million compared to HK\$2,426.8 million recorded in the corresponding period in 2001/02, a decrease of HK\$1,109.7 million or 45.7%. This was mainly due to lower property sales revenue recognised by Marco Polo Developments group ("MPDL") in respect of its sales of Ardmore Park units in Singapore.

Other property sales during the period principally arose from the pre-sale of residential units at Palm Cove by Realty Development Corporation group ("RDC"). Out of the total 260 units, 194 units have already been sold.

Notwithstanding the lackluster market condition, the Property Investment segment managed to report an increase in revenue from the corresponding period last year of HK\$4.7 million to HK\$137.1 million. This was mainly attributable to an overall improvement in occupancy rate. Wheelock House and Fitfort were virtually fully let at the end of the period under review. Wheelock Place, Singapore was 96% leased at satisfactory rental rates.

#### *Operating profit*

The Group's operating profit before borrowing costs and property provision was HK\$425.0 million, a decrease of HK\$468.5 million or 52.4% from that reported in the first half of 2001/02.

Comparing to the corresponding period last year, the profit contribution from the Property Development segment for the period under review decreased by HK\$450.2 million to HK\$203.3 million. This was mainly due to lower property sale contribution from MPDL. MPDL's profit was largely derived from recognition of profit from sale of Ardmore Park, of which 4% of the sold units was recognised in the period under review against 25% in the same period last year. 8 apartments at Grange Residences, Singapore were pre-sold in September 2002 on a deferred payment scheme and accordingly, proportionate profits on the units sold would only be recognised in the second half of 2002/03. Against the results in the first half of last year, property sale contribution from RDC decreased by HK\$18.0 million to HK\$1.2 million due to lower profit margins while operating profit of Property Investment segment increased by HK\$11.9 million to HK\$103.1 million. Investment income for the period amounted to HK\$127.3 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 for properties held for development of HK\$434.5 million was made in the period under review for this purpose. The provision of HK\$162.5 million for the corresponding period last year was made by MPDL for its Ardmore View project in Singapore.

Having regard to the prevailing market conditions, the Group's investment properties were also revalued, resulting in attributable deficits of HK\$197.3 million and HK\$34.3 million charged against the investment property revaluation reserves account and the profit and loss account respectively 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\$59.3 million, decreased substantially from HK\$98.7 million incurred in the corresponding period last year as a result of interest rate cuts. For the period under review, the Group's average borrowing cost was approximately 2.5% per annum, reduced from 4.6% per annum for the same period last year.

Share of loss of associates was HK\$61.2 million against HK\$135.5 million for the same period last year, principally resulting from the provision for impairment in value of the Bellagio project made by an associate.

A taxation credit of HK\$10.4 million was reported for the period under review, benefited from a write-back of tax provision for the Ardmore Park project of HK\$94.3 million subsequent to a reduction of Singapore income tax rate from 24.5% to 22% for year of assessment 2003.

The net loss shared by minority interests was HK\$31.6 million, which was mainly attributed to the loss incurred by RDC for the period under review.

Further information on 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\$10,412.5 million or HK\$5.03 per share, decreased from HK\$11,483.4 million or HK\$5.55 per share at 31 March 2002 mainly for 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\$491.3 million, comprising total debts of HK\$3,959.1 million less deposits and cash of HK\$3,467.8 million, as compared with HK\$850.5 million at 31 March 2002. Accordingly, the Group's net debt represented 3.3% (31/3/2002 : 5.1%) 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 listed securities by RDC during the period under review.

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

	<b>30/9/2002</b>	31/3/2002
	<b>HK\$Million</b>	HK\$Million
Repayable within 1 year	<b>1,533.1</b>	501.8
Repayable after 1 year, but within 2 years	<b>600.0</b>	1,800.0
Repayable after 2 years, but within 5 years	<b>1,826.0</b>	576.0
Repayable after 5 years	—	953.0
	<b><u>3,959.1</u></b>	<u>3,830.8</u>

- (c) Excluding the project loans undertaken by associates, the Group's committed and uncommitted loan facilities amounted to HK\$4.6 billion and HK\$1.0 billion respectively. The following assets of the Group have been pledged for securing bank loan facilities:

	<b>30/9/2002</b>	31/3/2002
	<b>HK\$Million</b>	HK\$Million
Investment properties	<b>2,856.4</b>	2,857.5
Long-term investments	<b>1,472.4</b>	2,339.8
Properties under development for sale	<b>1,400.1</b>	1,734.2
	<b><u>5,728.9</u></b>	<u>6,931.5</u>

- (d) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars except that the borrowings for financing Singapore assets are denominated in Singapore dollars. The Group has no significant exposure to foreign exchange fluctuation except for the Group's net investments in Singapore subsidiaries and the forward exchange contracts entered into by the Group for hedging such investments.
- (e) At 30 September 2002, the Group maintained a portfolio of long-term investments with market value of HK\$3,266.4 million (31/3/2002 : HK\$4,467.8 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 Group recorded an attributable deficit of HK\$775.1 million, bringing the total investment revaluation deficit at 30 September 2002 to HK\$887.0 million from HK\$111.9 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 approximately 60 employees. Employees are remunerated according to nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group also sponsors external training programmes that are complementary to certain job functions. Total staff costs for the period ended 30 September 2002 amounted to HK\$14.8 million.

**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, Diamond Hill Development Holdings Limited ("DHDHL"), 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 aforesaid 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

	<b>HK\$Million</b>
Properties under development/for sale	15,084.0
Stakeholders' deposits	756.2
Deposits from sale of properties	(3,434.1)
Other net current assets	1,421.3
Bank loans	(1,328.0)
	<u>12,499.4</u>
Shareholders' loans	(14,509.3)
Shareholders' deficit	<u>(2,009.9)</u>

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

	<u>Guaranteed Bank Facilities</u>			<b>Total</b> HK\$Million
	<b>Loan advances</b> HK\$Million	<b>Amount drawn</b> HK\$Million	<b>Not yet drawn</b> HK\$Million	
The Company and/or its wholly-owned subsidiary(ies)	3,712.3	—	753.3	4,465.6
Realty Development Corporation Limited and/or its wholly-owned subsidiary(ies) (72% owned by the Group)	1,251.0	265.6	355.2	1,871.8
	<u>4,963.3</u>	<u>265.6</u>	<u>1,108.5</u>	<u>6,337.4</u>

*Note: The Group's attributable interests in DHDHL, Hopfield and Grace Sign were 33%, 35% and 15% respectively as at 31 October 2002.*

**Terms of the financial assistance:**

*Funding for DHDHL*

Loan in the amount of HK\$2,751.4 million made to DHDHL bears interest at such rate as may from time to time be agreed among DHDHL's shareholders. At present, that loan is interest-free (also applicable to all the loans made to DHDHL by all other DHDHL'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 DHDHL amounted to HK\$633.3 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 DHDHL against the issue of the relevant guarantee by the Group.

*Funding for Hopfield*

Loans in the amount of HK\$1,921.8 million made to Hopfield bear interest at such rate as may from time to time be agreed among all Hopfield's 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 loans are 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 loans.

The Group's *pro rata* share of its financial obligation in respect of the bank facilities available to Hopfield amounted to HK\$240.0 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 have 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 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 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 beneficial interests in the share capital of the Company, of the Company's parent company, namely, Wheelock and Company Limited ("Wheelock"), and an associate of Wheelock, namely, The Wharf (Holdings) Limited ("Wharf"):

<b>The Company</b>	<b>No. of Ordinary Shares</b>	<b>Nature of Interest</b>
Mr. G. W. J. Li	2,900	Personal Interest
<b>Wheelock</b>		
Mr. G. W. J. Li	1,486,491	Personal Interest
Mr. T. Y. Ng	70,000	Personal Interest
Mr. C. L. Pan	652,264	Personal Interest
	727,712	Corporate Interest (See Note below)
<b>Wharf</b>		
Mr. G. W. J. Li	686,549	Personal Interest
Mr. T. Y. Ng	178,016	Personal Interest
Mr. C. L. Pan	56,304	Personal Interest

*Note: The 727,712 shares classified as Corporate Interest in which Mr. C. L. Pan was taken to be interested as stated above were interests of a corporation at general meetings of which Mr. Pan was entitled to either exercise (or was taken under the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") to be able to exercise) or control the exercise of one-third or more of the voting power.*

Save as disclosed above, as recorded in the register kept by the Company under section 29 of 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 exercise 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:

<b>Names</b>	<b>No. of Ordinary Shares</b>
(i) Myers Investments Limited	1,536,058,277
(ii) Wheelock Properties Limited	1,536,058,277
(iii) Wheelock and Company Limited	1,536,058,277
(iv) Bermuda Trust (Guernsey) Limited	1,536,058,277

*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 stated against parties (i) to (iv) 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, 20 November 2002