



MANAGEMENT STATEMENT

The Directors hereby present their management statement and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 2002.

INTERIM RESULTS

For the six months ended 31st December, 2002, the Group’s turnover soared by about 671% over the last corresponding period to HK\$212,254,000. This is attributable to the booking of sales revenue (by about HK\$179,106,000) for the first two towers of Chaoyang Garden (The Sun Crest) in Phase II, following the issuance of occupation permit during the period as in line with the Group’s accounting policies.

For the period under review, the Group achieved a gross profit of HK\$36,774,000 and an operating profit of HK\$24,796,000, representing an increase of about 90% and 118% respectively as compared with those of the previous corresponding period. These are also primarily due to the booking of sales of the first two towers in Phase II. The net profit for the period of HK\$16,008,000 shows an increase of about 85% as compared to the same period last year.

SEGMENT INFORMATION

Details of the segment information of the Group’s turnover and contribution to profit from operations by principal activity and geographical location of operations for the period are set out in note 3 to the condensed consolidated financial statements.

BUSINESS REVIEW

Chaoyang Garden/The Sun Crest

During the period under review, the Group realised sales proceeds of about HK\$188,395,000 from sales of remaining units in Phase I and the first two towers in Phase II, which were completed and delivered in November 2002. So far, about 70% of these two towers has been sold.

The remaining two towers of Phase II are scheduled to be completed by the second half of this year, one of which has been put forward for pre-sale in October 2002.



MANAGEMENT STATEMENT *(Continued)*

BUSINESS REVIEW *(Continued)*

The development of Phase III (the final phase) has been slightly delayed due to further revisions of building plans having been made necessary by new building rules and regulations now coming into force.

Dynamic Cargo Center

As for the Hong Kong cargo center, the Group achieved a reasonably high level (about 90%) of occupancy throughout the period under review. However, rental income for the period fell by about 15% as downward pressure on rent and occupancy continued to reflect competition across the border.

Tung Kok Tau

During the period, the port operations in Tung Kok Tau showed an increase in sales and earnings of about 94% and 181% respectively as against the previous corresponding period.

FINANCIAL REVIEW

The financial position of the Group remains healthy and liquid. At 31st December, 2002, the total shareholders' fund of the Group amounted to HK\$753,999,000 (30th June, 2002: HK\$742,772,000) with net asset value of HK\$3.44 (30th June, 2002: HK\$3.39). Total bank borrowings of the Group were about HK\$180,497,000 (30th June, 2002: HK\$186,097,000) as at 31st December, 2002, which were in Hong Kong dollars and repayable within two years at average interest rate of about 3.4% per annum. Accordingly, the debt-to-equity ratio of the Group at 31st December, 2002 was about 24% (30th June, 2002: 25%). As at 31st December, 2002, the Group pledged certain of its assets (including investment properties with an aggregate carrying value of HK\$460,000,000) as security against general banking facilities granted to the Group. The contingent liabilities of the Group for guarantees given to financial institutions in respect of banking facilities granted to the Group and mortgage loans provided to the home buyers of a property project in the PRC amounted to HK\$188,500,000 (30th June, 2002: HK\$194,100,000) and HK\$430,996,000 (30th June, 2002: HK\$377,480,000) respectively.



MANAGEMENT STATEMENT *(Continued)*

FINANCIAL REVIEW *(Continued)*

In the period, sufficient cashflow was generated by sales proceeds of Chaoyang Garden/The Sun Crest in Beijing, rental income of Dynamic Cargo Center and revenue of port operations. As at 31st December, 2002, the Group's cash and bank balance stood at HK\$51,483,000 (30th June, 2002: HK\$90,657,000) denominated primarily in Hong Kong dollars and Renminbi yuans. No significant exposure to foreign currency fluctuations affected the Group in the period. The funding requirements for development projects of Chaoyang Garden/The Sun Crest and redevelopment of Tung Kok Tau are intended to be financed by internal resources, bank borrowings and such other means of financing as the Directors may think expedient.

EMPLOYEES

At 31st December, 2002, the Group had about 200 employees in Hong Kong and the Mainland at prevailing market remunerations with employee benefits such as medical insurance, provident fund scheme and share option scheme.

PROSPECTS

In Beijing, the property market seems to have normalised after a period of euphoria brought about by the effects of the 2008 Olympics and China's WTO entry. However, competition remains keen as an over-supply situation in the high-end residential sector continues to exert pressure on pricing and profit. Nevertheless, the Group has been able to hold its own due to its established brand name and quality image.

In Hong Kong, demand of warehousing spaces appears to be on an upward trend benefiting from China's strong export growth. It is expected that the Group will be able to continue to enjoy high occupancy and stable rental income from its cargo center during the rest of this year.

As for Tung Kok Tau, negotiations with the mainland partners are ongoing. Although the leadership of Shenzhen has shown its support for an amicable settlement, a final conclusion to this long drawn out dispute may still need time.

INTERIM DISTRIBUTION

The Directors have declared an interim distribution of 2 Hong Kong cents (2001: 2 Hong Kong cents) per share for the six months ended 31st December, 2002 to all shareholders whose names appear on the register of members of the Company on 25th April, 2003. The warrants for such distribution are expected to be despatched to those entitled on or about 7th May, 2003.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 22nd April, 2003 to Friday, 25th April, 2003, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim distribution, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 17th April, 2003.

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31st December, 2002, the interests of the Directors, chief executives and their associates in the ordinary shares of the Company as recorded in the register of the Company required to be kept under Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Director	Number of ordinary shares held	
	Personal interests	Corporate interests
Chua Domingo (<i>note</i>)	3,862,000	89,321,279
Pang Kit Man, John	490,000	—

Note: The corporate interests of Mr. Chua Domingo were held through Dynamic Development Corporation. Dynamic Development Corporation is wholly-owned by Carnation Investments Inc. of which Mr. Chua Domingo is the sole shareholder.



MANAGEMENT STATEMENT *(Continued)*

DIRECTORS' OR CHIEF EXECUTIVES' INTERESTS IN SHARES *(Continued)*

Save as disclosed above, none of the Directors, chief executives and their associates had any personal, family, corporate or other interests (whether beneficial or non-beneficial) in the equity or debt securities of the Company or its associated corporations as defined under the SDI Ordinance as at 31st December, 2002, and none of them was granted nor had exercised any right to subscribe for any securities of the Company during the period.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of Mr. Chua Domingo, the register maintained by the Company under Section 16(1) of the SDI Ordinance shows no other person as having an interest representing 10% or more of the issued share capital of the Company as at 31st December, 2002.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied throughout the six months ended 31st December, 2002 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DISCLOSURE UNDER PRACTICE NOTE 19 TO THE LISTING RULES

During the period, the Group had entered into a loan agreement which required the substantial shareholder of the Company, Mr. Chua Domingo, to maintain his controlling interest in the Company. Otherwise, the agreed facilities might be immediately due and payable. The relevant loan granted to Yonderille Developments Limited, a wholly-owned subsidiary of the Company, amounted to HK\$174,800,000 as at 31st December, 2002. However, there was no such requirement upon re-financing on 17th February, 2003.



MANAGEMENT STATEMENT *(Continued)*

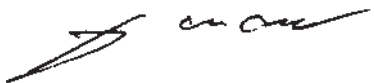
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting practices and principles adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this interim report.

By Order of the Board



Pang Kit Man, John
Chief Executive Officer

Hong Kong, 21st March, 2003