

INTERIM REPORT 2003



ALLIED GROUP LIMITED

Allied Group Limited

Interim Report

For the six months ended 30th June, 2003

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The Board of Directors of Allied Group Limited (“Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30th June, 2003 with comparative figures are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30th June, 2003

		Six months ended 30th June,	
		2003	2002
	<i>Notes</i>	Unaudited	Unaudited
		HK\$'000	HK\$'000
			(Restated)
Turnover	3	764,609	903,255
Other operating income		25,713	9,335
Total income		790,322	912,590
Cost of sales	4	(88,483)	(138,019)
Brokerage and commission expenses		(33,972)	(42,639)
Selling expenses		(18,460)	(40,679)
Administrative expenses		(192,632)	(181,075)
Impairment losses and revaluation deficits	5	(56,124)	(4,760)
Bad and doubtful debts		(166,267)	(292,377)
Other operating expenses		(64,630)	(44,248)
Profit from operations	6	169,754	168,793
Other finance costs	4	(29,064)	(40,463)
Amortisation of goodwill		(3,570)	(3,571)
Release of negative goodwill		119,395	57,715
Amortisation of capital reserve		10,206	10,206
Share of results of associates		37,482	52,510
Share of results of jointly controlled entities		(1,424)	18,551
Profit before taxation		302,779	263,741
Taxation	7	(42,002)	(36,471)
Profit after taxation		260,777	227,270
Minority interests		(96,755)	(94,003)
Profit attributable to shareholders		164,022	133,267
Dividend		-	-
Earnings per share:	8		
Basic		4.8 cents	3.9 cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

at 30th June, 2003

		At 30th June, 2003 Unaudited HK\$'000	At 31st December, 2002 Audited HK\$'000 (Restated)
Non-current assets			
Fixed assets	9	2,159,819	2,073,696
Intangible assets		5,253	4,860
Goodwill		19,348	22,918
Negative goodwill	10	(1,010,386)	(748,151)
Properties under development		132,855	128,802
Interest in associates		2,144,726	2,167,420
Interest in jointly controlled entities		1,109,854	1,123,300
Investments	11	507,270	469,583
Loans and advances to consumer finance customers due after one year	12	459,871	321,687
Deferred tax assets		28,423	28,602
		<u>5,557,033</u>	<u>5,592,717</u>
Current assets			
Properties held for sale		603,921	741,641
Inventories		96	117
Investments	11	32,695	36,617
Loans and advances to consumer finance customers due within one year	12	1,194,002	1,372,264
Accounts receivable, deposits and prepayments	13	2,168,597	2,040,734
Amounts due from associates		278,716	294,787
Amount due from a jointly controlled entity		939	1,564
Short-term pledged bank deposit		1,000	1,000
Short-term bank deposits		359,432	311,659
Bank balances and cash		364,928	307,877
		<u>5,004,326</u>	<u>5,108,260</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D)*at 30th June, 2003*

		At 30th June, 2003 Unaudited HK\$'000	At 31st December, 2002 Audited HK\$'000 (Restated)
	Notes		
Current liabilities			
Accounts payable and accrued charges	14	1,022,529	838,750
Amounts due to associates		39,347	37,544
Amount due to a jointly controlled entity		178,041	178,041
Taxation		36,838	15,412
Bank and other borrowings due within one year		654,100	957,018
Other liabilities due within one year	18	1,562	1,399
		1,932,417	2,028,164
Net current assets		3,071,909	3,080,096
		8,628,942	8,672,813
Capital and reserves			
Share capital	15	681,973	681,973
Reserves	16	3,501,018	3,340,429
		4,182,991	4,022,402
Minority interests		3,014,444	3,656,648
Non-current liabilities			
Bank and other borrowings due after one year		1,165,797	962,039
Loan notes	17	233,637	–
Deferred tax liabilities		22,108	24,625
Other liabilities due after one year	18	9,965	7,099
		1,431,507	993,763
		8,628,942	8,672,813

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30th June, 2003

	Six months ended 30th June,	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
	<u> </u>	<u> </u>
		(Restated)
Total equity at 1st January, as previously stated	4,076,284	4,274,027
Effect of adoption of SSAP 12 (Revised)	(53,882)	(50,380)
	<u> </u>	<u> </u>
Total equity at 1st January, as restated	4,022,402	4,223,647
	<u> </u>	<u> </u>
Revaluation increase in investments in securities	19,194	1,016
Exchange difference arising on translation of operations outside Hong Kong	(604)	22
Share of reserve movements of associates	(2,963)	2,455
Share of reserve movements of jointly controlled entities	(2,532)	2,436
	<u> </u>	<u> </u>
Net gains not recognised in the income statement	13,095	5,929
	<u> </u>	<u> </u>
Profit attributable to shareholders	164,022	133,267
Investment revaluation reserve released on impairment of non-trading securities	663	1,775
Translation reserve released on disposal of an associate	(148)	3
(Capital) goodwill reserve released on disposal of an associate	(237)	11,813
Capital reserve released on amortisation	(18,001)	(18,240)
Investment revaluation reserve released on disposal of non-trading securities	1,195	–
	<u> </u>	<u> </u>
	147,494	128,618
	<u> </u>	<u> </u>
Total equity at 30th June	4,182,991	4,358,194
	<u> </u>	<u> </u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30th June, 2003

	Six months ended 30th June, 2003 Unaudited HK\$'000	2002 Unaudited HK\$'000
	<u> </u>	<u> </u>
Net cash inflow from operating activities	370,547	817,520
Net cash (used in) from investing activities	(36,361)	5,980
Net cash used in financing activities	(269,696)	(846,998)
Increase (decrease) in cash and cash equivalents	64,490	(23,498)
Exchange adjustments	171	598
Cash and cash equivalents at 1st January	616,681	552,451
Cash and cash equivalents at 30th June	681,342	529,551
Analysis of the balances of cash and cash equivalents:		
Short-term bank deposits	359,432	249,318
Bank balances and cash	364,928	353,196
Bank overdrafts	(43,018)	(72,963)
	681,342	529,551

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six months ended 30th June, 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) and Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the condensed financial statements are consistent with those set out in the Group’s audited financial statements for the year ended 31st December, 2002, except that the Group has adopted SSAP 12 (Revised) “Income Taxes”, which is effective for accounting periods commencing on or after 1st January 2003. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future.

The adoption of SSAP 12 (Revised) has been applied retrospectively. Comparative amounts for the prior periods have been restated accordingly.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The financial effect of the adoption of SSAP 12 (Revised) is summarised below:

Negative goodwill	Interest		Property			Capital reserve	Accumulated profits	Minority interests	Deferred tax liabilities	
	Interest in associates	in jointly controlled entities	Deferred tax assets	valuation reserve	re-translation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1st January, 2003										
- As previously stated	(762,295)	2,163,937	1,223,660	-	12,919	(118,347)	342,088	1,189,707	3,673,836	7,686
- Arising from the adoption of SSAP 12 (Revised)	14,144	3,483	(100,360)	28,602	1,198	22,968	(8,018)	(70,030)	(17,188)	16,939
- As restated	<u>(748,151)</u>	<u>2,167,420</u>	<u>1,123,300</u>	<u>28,602</u>	<u>14,117</u>	<u>(95,379)</u>	<u>334,070</u>	<u>1,119,677</u>	<u>3,656,648</u>	<u>24,625</u>
Balance at 1st January, 2002										
- As previously stated	(438,073)	2,137,524	1,345,110	-	15,784	(110,422)	371,367	1,333,506	4,447,482	13,277
- Arising from the adoption of SSAP 12 (Revised)	13,005	6,800	(105,373)	32,216	(4,981)	20,802	(8,018)	(58,183)	(16,102)	13,130
- As restated	<u>(425,068)</u>	<u>2,144,324</u>	<u>1,239,737</u>	<u>32,216</u>	<u>10,803</u>	<u>(89,620)</u>	<u>363,349</u>	<u>1,275,323</u>	<u>4,431,380</u>	<u>26,407</u>

The adoption of SSAP 12 (Revised) has not had any material effect on the income statement for the current and the prior period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)
for the six months ended 30th June, 2003

3. SEGMENTAL INFORMATION

Analysis of the Group's businesses segmental information is as follows:

	Six months ended 30th June, 2003				Total HK\$'000
	Investment, broking and finance HK\$'000	Consumer finance HK\$'000	Property development and investment HK\$'000	Corporate and other operations HK\$'000	
Turnover	286,553	389,500	95,592	15,401	787,046
Less: inter-segment turnover	(5,248)	–	(2,630)	(14,559)	(22,437)
	<u>281,305</u>	<u>389,500</u>	<u>92,962</u>	<u>842</u>	<u>764,609</u>
Profit (loss) from operations	66,710	138,001	(34,746)	(211)	169,754
Other finance costs					(29,064)
Amortisation of goodwill					(3,570)
Release of negative goodwill					119,395
Amortisation of capital reserve					10,206
Share of results of associates					37,482
Share of results of jointly controlled entities	1	–	(1,425)	–	(1,424)
Profit before taxation					302,779
Taxation					(42,002)
Profit after taxation					<u>260,777</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

3. SEGMENTAL INFORMATION (CONT'D)

	Six months ended 30th June, 2002				
	Investment, broking and finance <i>HK\$'000</i>	Consumer finance <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Corporate and other operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	341,613	467,404	101,722	19,049	929,788
Less: inter-segment turnover	(5,566)	–	(2,576)	(18,391)	(26,533)
	<u>336,047</u>	<u>467,404</u>	<u>99,146</u>	<u>658</u>	<u>903,255</u>
Profit from operations	87,988	58,183	18,775	3,847	168,793
Other finance costs					(40,463)
Amortisation of goodwill					(3,571)
Release of negative goodwill					57,715
Amortisation of capital reserve					10,206
Share of results of associates					52,510
Share of results of jointly controlled entities	–	–	18,551	–	18,551
Profit before taxation					263,741
Taxation					(36,471)
Profit after taxation					<u>227,270</u>

Inter-segment transactions have been entered into on terms agreed by the parties concerned.

During the period under review, less than 10% of the operations of the Group in terms of both turnover and results of operations were carried on outside Hong Kong. Accordingly, no geographical segmental information is shown.

4. FINANCE COSTS

	Six months ended 30th June,	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Total finance costs included in:		
Cost of sales	2,010	15,214
Other finance costs	29,064	40,463
	<u>31,074</u>	<u>55,677</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

5. IMPAIRMENT LOSSES AND REVALUATION DEFICITS

	Six months ended 30th June,	
	2003	2002
	<u>HK\$'000</u>	<u>HK\$'000</u>
Impairment losses and revaluation deficits comprise:		
Impairment losses recognised in respect of:		
Properties held for sale	12,325	–
Properties under development	805	–
Non-trading securities	1,389	4,760
	<u>14,519</u>	<u>4,760</u>
Deficits arising on revaluation of investment properties and hotel property	41,605	–
	<u>56,124</u>	<u>4,760</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

6. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2003	2002
	<u>HK\$'000</u>	<u>HK\$'000</u>
Profit from operations has been arrived at after charging:		
Depreciation	15,351	20,213
Amortisation of intangible assets	583	299
Loss on disposal of an associate	3,088	–
Loss on disposal of non-trading securities	1,348	–
Net realised loss on trading securities	16	582
Net unrealised loss on trading securities	594	6,513
Realised loss on derivatives	–	482
and after crediting:		
Interest income	471,625	622,359
Write-back of loss arising from default of loan agreement with Millennium Touch Limited	19,332	–
Profit on dealing in foreign currencies	5,953	4,922
Profit on other dealing activities	3,010	159
Realised profit on derivatives	3,160	–
Profit on disposal of associates	–	3,534
Unrealised profit on derivatives	–	81
	<u> </u>	<u> </u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

7. TAXATION

	Six months ended 30th June,	
	2003	2002
	<u>HK\$'000</u>	<u>HK\$'000</u>
The charge comprises:		
Hong Kong Profits Tax	31,476	23,006
Taxation outside Hong Kong	3,039	576
Deferred taxation	<u>(2,460)</u>	<u>(3,259)</u>
	32,055	20,323
Share of taxation attributable to associates	6,018	(531)
Share of deferred taxation attributable to associates	287	12,703
Share of taxation attributable to jointly controlled entities	<u>3,642</u>	<u>3,976</u>
	<u>42,002</u>	<u>36,471</u>

Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profits derived from Hong Kong.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to shareholders of HK\$164,022,000 (2002: HK\$133,267,000) and on the 3,409,866,308 shares in issue during both periods.

No diluted earnings per share is presented as the Company has no dilutive potential ordinary shares during both periods.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

9. FIXED ASSETS

During the period, certain of the Group's properties held for sale of HK\$106,183,000 (at 31st December, 2002: HK\$50,130,000), which were held for rental purposes under operating leases, were transferred to investment properties.

10. NEGATIVE GOODWILL

The increase in negative goodwill during the period mainly arose from the deemed acquisition of an additional 12.6% indirect interest in a listed subsidiary following the completion of the repurchase by the listed subsidiary of its own shares as announced on 27th February, 2003 by the listed subsidiary, after deducting the amount released to the income statement during the period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

11. INVESTMENTS

	Investments in securities							
	Non-trading securities		Trading securities		Other investments		Total	
	At 31st December, 2002		At 31st December, 2002		At 31st December, 2002		At 31st December, 2002	
	At 30th June, 2003	At 30th June, 2003	At 30th June, 2003	At 30th June, 2003	At 30th June, 2003	At 30th June, 2003	At 30th June, 2003	At 30th June, 2003
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Listed equity securities, at market value, issued by corporate entities								
Hong Kong	237,858	204,041	19,027	19,874	-	-	256,885	223,915
Outside Hong Kong	1,311	1,461	4,098	1,799	-	-	5,409	3,260
issued by banks								
Hong Kong	-	-	1,257	1,390	-	-	1,257	1,390
issued by public utility entities								
Hong Kong	-	-	21	23	-	-	21	23
	<u>239,169</u>	<u>205,502</u>	<u>24,403</u>	<u>23,086</u>	<u>-</u>	<u>-</u>	<u>263,572</u>	<u>228,588</u>
Unlisted equity securities issued by corporate entities								
Hong Kong	69,910	75,262	-	335	-	-	69,910	75,597
Outside Hong Kong	68,712	69,257	-	-	-	-	68,712	69,257
	<u>138,622</u>	<u>144,519</u>	<u>-</u>	<u>335</u>	<u>-</u>	<u>-</u>	<u>138,622</u>	<u>144,854</u>
Unlisted marketable debt securities issued by overseas government	-	-	7,779	7,772	-	-	7,779	7,772
issued by banks	-	-	-	5,424	-	-	-	5,424
	<u>-</u>	<u>-</u>	<u>7,779</u>	<u>13,196</u>	<u>-</u>	<u>-</u>	<u>7,779</u>	<u>13,196</u>
Other unlisted securities	-	-	513	-	-	-	513	-
Exchange seats, statutory deposits and other deposits with Exchange and Clearing Companies	-	-	-	-	28,098	16,636	28,098	16,636
Amounts due from investee companies, less impairment loss recognised	-	-	-	-	101,381	102,926	101,381	102,926
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,479</u>	<u>119,562</u>	<u>129,479</u>	<u>119,562</u>
	<u>377,791</u>	<u>350,021</u>	<u>32,695</u>	<u>36,617</u>	<u>129,479</u>	<u>119,562</u>	<u>539,965</u>	<u>506,200</u>
Carrying amount analysed for reporting purposes as:								
Non-current	377,791	350,021	-	-	129,479	119,562	507,270	469,583
Current	-	-	32,695	36,617	-	-	32,695	36,617
	<u>377,791</u>	<u>350,021</u>	<u>32,695</u>	<u>36,617</u>	<u>129,479</u>	<u>119,562</u>	<u>539,965</u>	<u>506,200</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	At 30th June, 2003 <i>HK\$'000</i>	At 31st December, 2002 <i>HK\$'000</i>
Loans and advances to consumer finance customers	1,796,395	1,839,969
Allowance for doubtful debts	(142,522)	(146,018)
	1,653,873	1,693,951
Less: Amount due within one year and shown under current assets	1,194,002	1,372,264
Amount due after one year	459,871	321,687

Loans made to consumer finance customers are approved by officers or the credit committee as appropriate according to the size of loan amounts. The average credit terms of such loans range from six to eighteen months.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

13. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

For trade receivables in respect of securities, bullion and commodities businesses, the Group allows a credit period up to the settlement dates of respective securities, bullion and commodities transactions or a credit period mutually agreed with the contracting parties. The average credit terms of other trade receivables range from 30 to 180 days. Included in accounts receivable, deposits and prepayments are trade receivables totalling HK\$2,041,656,000 (at 31st December, 2002: HK\$1,957,260,000), the aged analysis of which is as follows:

	At 30th June, 2003 <u>HK\$'000</u>	At 31st December, 2002 <u>HK\$'000</u>
0 to 30 days	1,904,947	1,748,929
31 to 180 days	21,939	11,335
181 to 365 days	1,499	43,893
over 365 days	<u>547,311</u>	<u>551,850</u>
	2,475,696	2,356,007
Allowance for doubtful debts	<u>(434,040)</u>	<u>(398,747)</u>
	<u><u>2,041,656</u></u>	<u><u>1,957,260</u></u>

The above balance of HK\$2,475,696,000 (at 31st December, 2002: HK\$2,356,007,000) includes term loans totalling HK\$426,220,000 (at 31st December, 2002: HK\$761,167,000), the maturity profile of which is shown in note 26.

There were listed and unlisted securities and properties of clients held as collateral against secured margin loans and term loans. The market value of the listed securities at 30th June, 2003 was HK\$3,939,003,000 (at 31st December, 2002: HK\$3,693,446,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)
for the six months ended 30th June, 2003

13. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONT'D)

On 24th November, 1999, Sun Hung Kai & Co. Limited ("Sun Hung Kai"), a subsidiary of the Company since May 2001, entered into an agreement for the sale of 770,000,000 shares in Tian An China Investments Company Limited ("Tian An") to Millennium Touch Limited ("MT"). These 770,000,000 Tian An shares represented approximately 19.79% of the then issued share capital of Tian An and 9.07% of the issued share capital of Tian An at 30th June, 2003 (at 31st December, 2002: 9.07%). MT paid 5% of the purchase price and entered into a loan agreement with Sun Hung Kai group to finance the balance. As security for the loan agreement, MT entered into a share mortgage with Sun Hung Kai group. The share mortgage provided that if there was default under the loan agreement, then Sun Hung Kai group may enforce its security by, inter alia, selling the 770,000,000 Tian An shares to discharge the indebtedness owed by MT to Sun Hung Kai group or foreclosing on the shares. However, Sun Hung Kai has not exercised, and has foregone any entitlement to exercise, any voting rights on those 770,000,000 Tian An shares.

MT has been in default under the loan agreement since 24th November, 2000. There was an unrealised loss of HK\$134,124,000 to Sun Hung Kai group up to 31st December, 2000 by marking to market those 770,000,000 Tian An shares at a closing market price of HK\$0.134 on 31st December, 2000. An unrealised loss of HK\$10,110,000 was accounted for in 2002 as the closing market price at 31st December, 2002 fell below HK\$0.134.

In August 2003, 650,000,000 Tian An shares were tendered for the share repurchase offer by Tian An and were accepted in full. Sun Hung Kai group was entitled to receive the consideration of the shares repurchase of HK\$97,402,500 (as to HK\$19,402,500 in cash and HK\$78,000,000 in the form of 5 years loan notes at an interest rate of 2.5% per annum issued by Tian An) on 2nd September, 2003, resulting in a reduction of amount due from MT.

As a result of the above share repurchase and by marking to market the remaining 120,000,000 Tian An shares at the closing market price of HK\$0.125 on 30th June, 2003, an unrealised loss of HK\$19,332,000 was written back to the income statement during the period. The amount due from MT after providing for the unrealised loss at 30th June, 2003 was HK\$112,402,000 (at 31st December, 2002 HK\$93,070,000) and has been included as a term loan under the Group's balance of accounts receivable, deposits and prepayments.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)
for the six months ended 30th June, 2003

13. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONT'D)

The credit of trade receivables in respect of the finance business including secured margin loans and secured term loans are approved and reviewed by the respective committees. Clients are normally required to provide additional margin or securities whenever there are any shortfalls in their accounts. Specific allowances are made for doubtful debts as and when they are considered necessary by the management and the credit committee. Trade receivables in the balance sheet are stated net of such allowances.

14. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in accounts payable and accrued charges are trade payables of HK\$754,809,000 (at 31st December, 2002: HK\$580,214,000), the aged analysis of which is as follows:

	At 30th June, 2003 HK\$'000	At 31st December, 2002 HK\$'000
0 to 30 days	634,837	480,174
31 to 180 days	39,780	11,917
181 to 365 days	40,163	47,464
Over 365 days	40,029	40,659
	<u>754,809</u>	<u>580,214</u>

15. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.20 each		
<i>Authorised:</i>		
At 31st December, 2002 and 30th June, 2003	<u>6,500,000,000</u>	<u>1,300,000</u>
<i>Issued and fully paid:</i>		
At 31st December, 2002 and 30th June, 2003	<u>3,409,866,308</u>	<u>681,973</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)*for the six months ended 30th June, 2003***16. RESERVES**

	At 30th June, 2003 <i>HK\$'000</i>	At 31st December, 2002 <i>HK\$'000</i>
Share premium	1,894,481	1,894,481
Property revaluation reserve	10,063	14,117
Investment revaluation reserve	20,204	(1,938)
Capital redemption reserve	20,175	20,175
Translation reserve	(98,662)	(95,379)
Non-distributable reserve	55,226	55,226
Capital reserve	315,940	334,070
Accumulated profits	1,283,591	1,119,677
	<u>3,501,018</u>	<u>3,340,429</u>

17. LOAN NOTES

The amount represents the loan notes issued for the repurchase of shares by a listed subsidiary. The loan notes bear interest at 4% per annum and are due on 7th March, 2008.

	At 30th June, 2003 <i>HK\$'000</i>	At 31st December, 2002 <i>HK\$'000</i>
Loan notes issued	255,234	–
Purchase and cancellation	(21,597)	–
	<u>233,637</u>	<u>–</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

18. OTHER LIABILITIES

	At 30th June, 2003 <i>HK\$'000</i>	At 31st December, 2002 <i>HK\$'000</i>
Obligations under a finance lease	1,396	1,816
Other employee benefits	6,825	6,682
Deferred income	3,306	–
	<u>11,527</u>	<u>8,498</u>
Less: Amount repayable within one year and shown under current liabilities	<u>(1,562)</u>	<u>(1,399)</u>
Amount due after one year	<u><u>9,965</u></u>	<u><u>7,099</u></u>

19. ACQUISITION OF A SUBSIDIARY

On 25th June, 2003, Sun Hung Kai group acquired 100% of the issued share capital of Shun Loong Holdings Limited (“Shun Loong”) for a consideration of HK\$36,500,000 subject to additional amounts of HK\$15,700,000 which may be payable one year from the date of completion under certain conditions. The negative goodwill of HK\$18,918,000 arising on the acquisition was calculated based on the maximum consideration of HK\$52,200,000 and related cost on acquisition. The acquisition of Shun Loong during the period did not have any significant contribution to the Group’s operating profit or material impact on the Group’s net operating cash flow.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

20. CONTINGENT LIABILITIES

- (a) At 30th June, 2003, the Group had guarantees as follows:

	At 30th June, 2003 <i>HK\$'000</i>	At 31st December, 2002 <i>HK\$'000</i>
Guarantees for banking and loan facilities granted to an investee company	7,020	7,020
Indemnities on banking guarantees made available to a clearing house and regulatory body	4,540	4,540
Other guarantees	1,563	1,734
	<u>13,123</u>	<u>13,294</u>

- (b) Sun Hung Kai Securities Limited ("SHKSL"), a wholly-owned subsidiary of Sun Hung Kai, issued proceedings against New World Development Company Limited ("NWD") on 22nd December, 1998, claiming, inter alia, the repayment of HK\$35,319,000 paid by SHKSL to NWD as restitution of monies received by NWD in relation to a hotel project in Kuala Lumpur, Malaysia.

NWD and its wholly-owned subsidiary, namely, Stapleton Developments Limited, subsequently issued proceedings against SHKSL, claiming, inter alia, the specific performance of SHKSL's alleged commitment with them in respect of the development project to provide funding of HK\$115,910,000, of which HK\$18,740,000 represents interest accrued. A trial date, originally set for April 2002, was vacated following NWD's request to do so and the trial commenced on 9th June, 2003. Final submissions have been made and the court has reserved its judgement.

Legal costs are recorded in the income statement as incurred.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

20. CONTINGENT LIABILITIES (CONT'D)

- (c) On 9th September, 2002, Sun Hung Kai Investment Services Limited ("SHKIS"), an indirect wholly-owned subsidiary of Sun Hung Kai, was served with a writ attaching a statement of claim by Shenzhen Building Materials Group Co. Limited, a Shenzhen P.R.C. registered company, claiming the return of certain shares in Shenzhen International Holdings Limited (worth HK\$29,031,000 at 30th June, 2003) together with interest, costs and damages. The actions taken by SHKIS were based on considered advice from reputable legal counsel, which advice was strictly followed in its implementation. The claim is being strenuously defended and at this stage the management takes the view that no contingency arises for which a provision is required to be made. The case is at an early stage with interlocutory matters only being dealt with.

21. CAPITAL COMMITMENTS

	At 30th June, 2003 <i>HK\$'000</i>	At 31st December, 2002 <i>HK\$'000</i>
Capital expenditure contracted for but not provided for in the financial statements in respect of:		
Property development projects	22,150	26,700
Others	5,066	4,355
	<u>27,216</u>	<u>31,055</u>
Capital expenditure authorised but not contracted for:		
Others	46,526	47,175
	<u>46,526</u>	<u>47,175</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

22. LEASE COMMITMENTS

At 30th June, 2003, the Group had outstanding minimum lease payments under non-cancellable operating leases, which fall due as follows:

	At 30th June, 2003		At 31st December, 2002	
	Land and buildings HK\$'000	Others HK\$'000	Land and buildings HK\$'000	Others HK\$'000
Within one year	47,221	934	45,344	77
In the second to fifth year inclusive	28,697	496	32,848	-
	<u>75,918</u>	<u>1,430</u>	<u>78,192</u>	<u>77</u>

Operating leases are negotiated for terms ranging from one to four years.

23. PLEDGE OF ASSETS

At 30th June, 2003, certain of the Group's investment properties, hotel property, land and buildings, properties under development and properties held for sale with an aggregate carrying value of HK\$2,747,460,000 (at 31st December, 2002: HK\$2,790,137,000), consumer loan portfolio of HK\$20,000,000 (at 31st December, 2002: Nil), listed investments belonging to the Group and margin clients with a carrying value of HK\$833,171,000 (at 31st December, 2002: HK\$761,412,000) together with certain securities in respect of listed subsidiaries held by the Company and its subsidiaries, the net book value of which in their respective accounts totalling HK\$3,801,942,000 (at 31st December, 2002: HK\$3,804,999,000) were pledged to secure loans and general banking facilities to the extent of HK\$4,306,879,000 (at 31st December, 2002: HK\$4,226,202,000) granted to the Group. Facilities amounting to HK\$1,814,897,000 (at 31st December, 2002: HK\$1,774,034,000) were utilised at 30th June, 2003.

At 30th June, 2003, a bank deposit of HK\$1,000,000 (at 31st December, 2002: HK\$1,000,000) was pledged to secured a bank guarantee amounting to HK\$1,000,000 (31st December, 2002: HK\$1,000,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)
for the six months ended 30th June, 2003

24. RELATED PARTY TRANSACTIONS

The following is a summary of the significant transactions with related parties during the period:

- (a) Summary of income and expense items

	(Income)/Expense	
	Six months ended 30th June,	
	2003	2002
	<u>HK\$'000</u>	<u>HK\$'000</u>
Property management and air-conditioning fees and other property related service fees from a jointly controlled entity	(7,706)	(7,508)
Administration and management fees from a jointly controlled entity	(930)	(930)
Rent, property management and air-conditioning fees to a jointly controlled entity	6,086	6,314
Interest income from an associate	(7,982)	(7,591)
Insurance premium from an associate	(1,249)	–
Dividend income from an associate	(1,100)	(2,000)
Rent, property management and air-conditioning fees from an associate	<u>(876)</u>	<u>(876)</u>

- (b) A promissory note of HK\$21,900,000 issued by a listed associate and accrued interest of HK\$438,900 were repaid during the period.
- (c) A promissory note of HK\$40,419,000 was issued by a listed associate for the purpose of repaying the outstanding principal and interest under the 4% convertible loan note dated 2nd June, 1998 due on 2nd June, 2002. The promissory note bore interest at 7% per annum and matured on 2nd June, 2003. It was agreed on 2nd September, 2003 that the repayment date of the amount and accrued interest should be extended to 2nd June, 2004 with other terms and conditions remaining unchanged.

The above transactions have been entered into on terms agreed by the parties concerned.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)
for the six months ended 30th June, 2003

25. SUBSEQUENT EVENTS

On 12th August, 2003, the Court of First Instance of the High Court of Hong Kong ("Court") confirmed the reduction of the share premium account of the Company and the order of the Court in respect of such reduction of the share premium account of the Company was registered on 12th August, 2003 by the Registrar of Companies. Accordingly, the share premium account of the Company was reduced by HK\$375,000,000 and the same amount was transferred to a distributable reserve account of the Company.

On 14th August, 2003, the Company announced that all conditions precedent to the share repurchase offer ("Offer") had been fully satisfied and the making of the Offer became unconditional. The offer document in respect of the Offer to repurchase up to 750,000,000 shares of the Company were despatched to the shareholders of the Company on 21st August, 2003. According to the results of the acceptance of the Offer which was announced on 11th September, 2003, 750,000,000 shares were repurchased by the Company, resulting in the reduction of HK\$150,000,000 and HK\$225,000,000 in the share capital account and the distributable reserve account respectively and the transfer of HK\$150,000,000 from the distributable reserve account to the capital redemption reserve account. The consideration of the Offer totalling HK\$375,000,000 will be settled by HK\$112,500,000 in cash and HK\$262,500,000 in the form of loan notes ("Loan Notes") on 19th September, 2003. The Loan Notes bear interest at 2.25% per annum and are due on 15th August, 2008.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (CONT'D)

for the six months ended 30th June, 2003

26. MATURITY PROFILE OF TERM ASSETS AND LIABILITIES

The following tables list the assets and liabilities of the Group which have a term of maturity. Overdue assets are reported as on demand.

	On demand HK\$'000	Within 3 months HK\$'000	At 30th June, 2003			Total HK\$'000
			3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	After 5 years HK\$'000	
Assets						
Fixed deposits with banks	-	360,432	-	-	-	360,432
Loans and advances to consumer finance customers	141,670	375,232	780,490	486,133	12,870	1,796,395
Promissory notes of a listed associate	-	-	242,563	-	-	242,563
Term loans	249,426	73,710	100,617	2,467	-	426,220
Marketable debts securities	-	7,779	-	-	-	7,779
Liabilities						
Bank and other borrowings	-	139,372	514,728	1,033,437	132,360	1,819,897
Loan notes	-	-	-	233,637	-	233,637
Obligations under a finance lease	-	214	656	526	-	1,396
	On demand HK\$'000	Within 3 months HK\$'000	At 31st December, 2002			Total HK\$'000
			3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	After 5 years HK\$'000	
Assets						
Fixed deposits with banks	-	312,659	-	-	-	312,659
Loans and advances to consumer finance customers	165,945	441,261	883,941	340,478	8,344	1,839,969
Promissory notes of a listed associate	-	-	264,463	-	-	264,463
Term loans	248,241	168,659	341,800	2,467	-	761,167
Marketable debts securities	-	13,196	-	-	-	13,196
Liabilities						
Bank and other borrowings	-	618,189	338,829	814,729	147,310	1,919,057
Obligations under a finance lease	-	209	641	966	-	1,816

INTERIM DIVIDEND

The Directors do not recommend the declaration of an interim dividend. It should be noted however that the Company has made an offer to repurchase up to 750,000,000 shares, details of which are shown in the section of financial review below.

For the six months ended 30th June, 2002, the Company did not declare an interim dividend.

FINANCIAL REVIEW

The Group reported a profit attributable to shareholders for the period of approximately HK\$164.0 million, increased by 23.0% compared to the profit of approximately HK\$133.3 million for the corresponding period of last year. This increase was mainly due to a lower bad and doubtful debts expenses from the Group's consumer finance business, partially offset by the impairment losses and revaluation deficits of Hong Kong properties during the period.

Financial Resources, Liquidity and Capital Structure

During the period, loan notes with an aggregate principal amount of HK\$255.2 million were issued by a listed subsidiary as part of the consideration for repurchase of its own shares. Of the principal amount HK\$21.6 million was redeemed during the period. The loan notes bear interest at 4% per annum and are due on 7th March, 2008.

At 30th June, 2003, the net assets of the Group amounted to HK\$4,183.0 million, representing an increase of HK\$160.6 million or approximately 4.0% from that of 31st December, 2002. The Group's short term bank deposits, bank balances and cash amounted to HK\$725.4 million (at 31st December, 2002: HK\$620.5 million). The Group's bank loans and other borrowings, including the abovementioned loan notes, totalled HK\$2,053.5 million (at 31st December, 2002: HK\$1,919.0 million), of which the portion due on demand or within one year was HK\$654.1 million (at 31st December, 2002: HK\$957.0 million), and the remaining long term portion was HK\$1,399.4 million (at 31st December, 2002: HK\$962.0 million). The liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 2.59 times (at 31st December, 2002: 2.52 times). The Group's gearing ratio (net bank and other borrowings and loan notes/net assets) was maintained at 31.7% (at 31st December, 2002: 32.3%). Other than the loan notes mentioned above, the Group is principally financed by net cash inflow from operating activities and banking facilities granted by banks.

FINANCIAL REVIEW (CONT'D)

Financial Resources, Liquidity and Capital Structure (Cont'd)

Most of the bank and other borrowings of the Group are subject to floating interest rates.

Subsequent to the period end, the Court confirmed on 12th August, 2003 the reduction of the share premium account of the Company and the order of the Court in respect of such reduction of the share premium account of the Company was registered on 12th August, 2003 by the Registrar of Companies. Accordingly, the share premium account of the Company was reduced by HK\$375.0 million and the same amount was transferred to a distributable reserve account of the Company.

On 14th August 2003, the Company announced that all conditions precedent to the Offer had been fully satisfied and making of the Offer became unconditional. The offer document in respect of the Offer to repurchase up to 750,000,000 shares of the Company were despatched to the shareholders of the Company on 21st August 2003. According to the result of the acceptance of the Offer which was announced on 11 September, 2003, 750,000,000 shares were repurchased by the Company, resulting in the reduction of HK\$150.0 million and HK\$225.0 million in the share capital account and the distributable reserve account respectively and the transfer of HK\$150.0 million from the distributable reserve account to the capital redemption reserve account. The consideration of the Offer totalling HK\$375.0 million will be settled by HK\$112.5 million in cash and HK\$262.5 million in the form of Loan Notes on 19th September, 2003. The Loan Notes bear interest at 2.25% per annum and are due on 15th August, 2008.

Risk of Foreign Exchange Fluctuation

There have been no significant changes in the exposures to foreign exchange risks from those previously outlined in the Company's annual report for 2002.

Additional Interest in Sun Hung Kai

Allied Properties (H.K.) Limited ("Allied Properties")'s equity interest in Sun Hung Kai increased from 61.67% to 74.45% at the period end mainly resulting from the completion of repurchase by Sun Hung Kai of its own shares as announced by Sun Hung Kai on 27th February, 2003.

FINANCIAL REVIEW (CONT'D)

Acquisition of a Subsidiary

During the period, Sun Hung Kai group acquired the entire issued share capital of Shun Loong for a consideration of HK\$36.5 million subject to adjustment as detailed in an announcement of Sun Hung Kai dated 25th June, 2003. Shun Loong provides a full range of traditional and online brokerage services through its subsidiaries.

Contingent Liabilities

Details regarding the contingent liabilities are set out in note 20 to the condensed financial statements on pages 22 and 23.

Pledge of Assets

Details regarding the pledge of assets are set out in note 23 to the condensed financial statements on page 24.

OPERATIONAL REVIEW

Financial Services

Consumer finance

The consumer finance market in Hong Kong continued to be affected by high personal bankruptcy and unemployment rates during the period. After the acquisition in January 2003 of the remaining 50% stake in SHK Finance Limited ("SHK Finance") by United Asia Finance Limited ("UAF"), the operation of SHK Finance has been merged with that of UAF to reduce costs and improve the overall operational efficiency. With the implementation of such cost cutting measures coupled with a lower bad debt charge during the period, the profit of the consumer finance division has increased substantially compared to the corresponding period of last year.

OPERATIONAL REVIEW (CONT'D)

Financial Services (Cont'd)

Broking and finance

Sun Hung Kai, the Group's listed subsidiary, was able to compete successfully with rival brokers with its diversified range of products and rigorous business and marketing concepts. Notwithstanding the severe impact of Severe Acute Respiratory Syndrome ("SARS") on its business, Sun Hung Kai was able to report a 10.4% modest decrease in profit. However, having completed its share repurchase exercise, its profits represents a small increase in earnings per share. Following the decline of SARS in June and the strength in US markets, market volumes recovered to levels which were more profitable. Sun Hung Kai is hopeful that the market will continue to recover and that its income from the traditional brokerage business will improve in the latter half of 2003. Despite the reduction in average daily turnover, Sun Hung Kai's margin loan book has been able to maintain a similar level compared with the same period of last year. Its term lending activities have continued at a lower level but with similar spreads to the same period of last year. Profitability benefited from the write-back of a provision.

Properties

Hong Kong and overseas

Allied Properties has a diversified portfolio of completed or existing properties in Hong Kong. In addition, the superstructure works for phase two of Ibis North Point, the hotel at Java Road, have reached the fifteenth floor. Notwithstanding the effects of the property market downturn and SARS, Allied Properties only suffered a 7.6% decrease in profit attributable to its shareholders.

Allied Kajima Limited is 50% indirectly owned by Allied Properties. The core properties of that group include Allied Kajima Building, Novotel Century Hong Kong hotel and the Westin Philippine Plaza Hotel, contributed a profit of approximately 37.1% lower than the corresponding period of last year mainly due to the effect of SARS in Hong Kong.

OPERATIONAL REVIEW (CONT'D)

Properties (Cont'd)

Mainland P.R.C.

Regarding Tian An, a listed associate of Sun Hung Kai, insufficient labour supply in the construction industry, delay in the delivery of construction materials and intermittent suspension of construction works resulted in delays in the completion of certain projects of the group in the PRC. This together with the slow-down of sales during the SARS outbreak undermined Tian An group's turnover in the second quarter. It is however pleasing that the impact of SARS in the PRC was only temporary, regional and limited. Property prices have continued to increase in some major cities, and it is envisaged that the continual economic growth of the PRC will boost the residential property market in the mainland.

Employees

The total number of staff of the Group at 30th June, 2003 was 2,040 (at 31st December, 2002: 2,002). The Group reviews remuneration packages from time to time and normally annually. Besides salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme.

Management of Risks

The management of risks in respect of the Group's financing businesses is primarily conducted by UAF and Sun Hung Kai. There have not been any significant changes in the management of such risks from that described in the Company's annual report for 2002.

BUSINESS OUTLOOK

Although recent weeks have seen an improvement in confidence, the short to medium term outlook for the local economy remains uncertain. Whilst the Board is hopeful of the gradual recovery of the Hong Kong economy in the longer term, the Directors consider that it would be appropriate for the Group to continue to adopt a cautious approach for the foreseeable future. The improvement in stock market sentiment is assisting the broking and finance business, which is heavily volume driven. The expected gradual improvement of the local economy should eventually help to stabilise the property market and benefit the Group in terms of income and property values.

SHARE OPTION SCHEMES

- (a) No option was granted under the share option scheme of the Company during the six months ended 30th June, 2003, nor was there any option outstanding at 31st December, 2002 and 30th June, 2003.
- (b) No option was granted under the share option scheme of the Company's subsidiary, Allied Properties, during the six months ended 30th June, 2003, nor was there any option outstanding at 31st December, 2002 and 30th June, 2003. The share option scheme of Allied Properties expired on 29th June, 2003.

DIRECTORS' INTERESTS

At 30th June, 2003, Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, had the following interests in the shares of the Company as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (“SFO”):

Name of Directors	Number of shares	Approximate % of the issued share capital	Nature of interest
Lee Seng Hui	1,019,066,142 shares in the Company	29.89%	Personal interest (held as beneficial owner) in 229,216 shares and other interest in 1,018,836,926 shares (Note 1)
Lee Su Hwei	1,018,836,926 shares in the Company	29.88%	Other interest (Note 1)

Notes:

1. Mr. Lee Seng Hui and Ms. Lee Su Hwei are trustees of Lee and Lee Trust, being a discretionary trust which indirectly held 1,018,836,926 shares of the Company.
2. All interests stated above represent long position.

Save as disclosed above, at 30th June, 2003, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

At 30th June, 2003, the following shareholders had interests in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholders	Number of shares	Approximate % of the issued share capital	Notes
Lee and Lee Trust	1,018,836,926	29.88%	1
Classic Fortune Limited ("Classic Fortune")	223,868,000	6.57%	
Honest Opportunity Limited ("Honest Opportunity")	223,868,000	6.57%	2, 3
China Online (Bermuda) Limited ("China Online")	332,388,000	9.75%	4, 5

Notes:

1. Mr. Lee Seng Hui and Ms. Lee Su Hwei, Directors of the Company, together with Mr. Lee Seng Huang are trustees of Lee and Lee Trust, being a discretionary trust.
2. The figure referred to the same holding of 223,868,000 shares held by Classic Fortune.
3. Honest Opportunity owned 100% interest in the issued share capital of Classic Fortune and was therefore deemed to have an interest in the shares.
4. The figure referred to the aggregate holding of 223,868,000 shares held by Classic Fortune and Honest Opportunity, direct and indirect wholly-owned subsidiaries of China Online respectively, and 108,520,000 shares held by Besford International Limited ("Besford") and Focus Clear Limited ("Focus Clear"), direct and indirect wholly-owned subsidiaries of China Online respectively.
5. China Online was deemed to have an interest in the shares through its 100% direct and indirect interests in Classic Fortune, Honest Opportunity, Besford and Focus Clear.
6. All interests stated above represent long position.

Save as disclosed above, the Company had not been notified of any other person who had an interest or a short position in the shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO at 30th June, 2003.

CORPORATE GOVERNANCE

Audit Committee Review

The audit committee of the Company (“Audit Committee”) has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2003. In carrying out this review, the Audit Committee has relied on a review conducted by the Group’s external auditors in accordance with Statement of Auditing Standards 700 issued by the HKSA, and on the interim results announcements of the listed associates, as well as obtaining reports from management. The Audit Committee has not undertaken detailed independent audit checks.

Code of Best Practice

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the six months ended 30th June, 2003.

By Order of the Board
Phoebe Lau Mei Yi
Company Secretary

18th September, 2003