

INTERIM RESULTS

The Board of Directors of Multifield International Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2003 together with the unaudited comparative figures for the corresponding period in 2002. These interim financial statements have not been audited, but have been reviewed by the Company’s Audit Committee:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2003

(With comparatives for the six months ended 30 June 2002)

		For the six months ended 30 June	
		2003	2002
	<i>Notes</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		HK\$’000	HK\$’000
TURNOVER	3	60,660	58,098
Less: Cost of services provided and other direct costs		(11,893)	(13,167)
Gross profit		48,767	44,931
Other revenue	3	3,684	4,509
Administrative expenses		(9,258)	(7,983)
Other operating expenses		(154)	(283)
PROFIT FROM OPERATING ACTIVITIES	4	43,039	41,174
Finance costs		(11,658)	(12,853)
Share of profit/(loss) of associates		(803)	1,617
Negative goodwill on acquisition of interest in an associate recognised as income		3,945	3,628
PROFIT BEFORE TAX		34,523	33,566
Tax	5	1,472	(5,349)
PROFIT BEFORE MINORITY INTERESTS		35,995	28,217
Minority interests		(10,500)	(9,318)
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		25,495	18,899
INTERIM DIVIDEND PER SHARE	6	0.15 CENT	0.15 CENT
BASIC EARNINGS PER SHARE	7	0.64 CENT	0.47 CENT

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

(With comparatives as at 31 December 2002)

	<i>Notes</i>	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		17,626	13,436
Investment properties		2,234,900	1,334,900
Goodwill		(67,494)	1,167
Long term investment		594	—
Interest in associates		—	476,856
Deposit paid for acquisition of additional interest in an associate		—	3,000
		<u>2,185,626</u>	<u>1,829,359</u>
CURRENT ASSETS			
Properties held for sale		281,851	281,851
Prepayment, deposits and other receivables		25,248	5,309
Tax recoverable		6,235	6,235
Accounts and bills receivables	8	80,207	3,891
Short-term investment		41,447	—
Time deposits		40,224	159,900
Cash and bank balances		194,722	15,065
		<u>669,934</u>	<u>472,251</u>
CURRENT LIABILITIES			
Deposits received		30,057	23,549
Bank loans, secured		69,232	122,752
Accounts and bills payables	9	80,345	2,914
Accrued expenses and other payables		43,727	23,217
Dividend payable		10,001	—
Due to a minority shareholder	10	57,926	57,926
Tax payable		98,894	98,843
		<u>390,182</u>	<u>329,201</u>
NET CURRENT ASSETS		<u>279,752</u>	<u>143,050</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,465,378</u>	<u>1,972,409</u>
NON-CURRENT LIABILITIES			
Bank loans, secured		686,537	681,723
Due to a director	10	119,999	84,888
Deferred tax	11	360,781	360,531
		<u>1,167,317</u>	<u>1,127,142</u>
		<u>1,298,061</u>	<u>845,267</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

(With comparatives as at 31 December 2002)

		As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
CAPITAL AND RESERVES			
Issued capital	12	40,005	40,005
Reserves		603,299	583,708
Proposed dividend		6,001	10,001
		<hr/> 649,305	<hr/> 633,714
MINORITY INTERESTS		648,756	211,553
		<hr/> 1,298,061 <hr/>	<hr/> 845,267 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
At beginning of the period		
- as previously reported	862,691	653,604
- prior year adjustment on adoption of SSAP 12 (Revised)	(228,977)	(100,624)
- as restated	633,714	552,980
Net profit for the period	25,495	18,899
Dividend declared	(10,001)	(8,334)
Exchange realignment	97	—
	<u>649,305</u>	<u>563,545</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	For the six months ended 30 June	
	2003	2002
	<i>(Unaudited)</i> HK\$'000	<i>(Unaudited)</i> HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26,214	65,986
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(10,943)	(12,796)
TAX PAID	(2,030)	(6,611)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(331,257)	(16,923)
	(318,016)	29,656
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	377,997	(31,386)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	59,981	(1,730)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	174,965	28,727
CASH AND CASH EQUIVALENTS AT END OF PERIOD	234,946	26,997
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
CASH AND BANK BALANCES	194,722	23,097
TIME DEPOSITS	40,224	3,900
	234,946	26,997

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules of the Stock Exchange”).

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2002 except that the Group has changed its accounting policy following the adoption of SSAP12 (Revised) “Income Taxes” issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, 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. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amount for 2002 have been restated accordingly. The balance on the Group’s property revaluation reserve at 1 January 2002 have been reduced by HK\$101 million, representing the deferred tax liability recognised in respect of the revaluation surplus on the Group’s properties at that date. The effect of the change is an increased charge to income statement in the current period of HK\$250,000 (2002: HK\$ Nil).

2. SEGMENT INFORMATION

An analysis of the business segments and geographical segments of the operation of the Group during the period is as follows:

(a) Geographical segments

	Hong Kong		Elsewhere in the PRC		Consolidated	
	For the six months ended 30 June				2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000
	2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000		
Segment revenue						
Sales to external customers	<u>15,987</u>	<u>21,913</u>	<u>44,673</u>	<u>36,185</u>	<u>60,660</u>	<u>58,098</u>
Segment results	<u>8,112</u>	<u>9,464</u>	<u>34,212</u>	<u>27,201</u>	<u>42,324</u>	<u>36,665</u>
Interest income					715	57
Unallocated income					—	4,452
Finance costs					(11,658)	(12,853)
Share of profit/(loss) of associates					(803)	1,617
Negative goodwill on acquisition of interest in an associate recognised as income					<u>3,945</u>	<u>3,628</u>
Profit before tax					<u>34,523</u>	<u>33,566</u>
Tax					<u>1,472</u>	<u>(5,349)</u>
Profit before minority interests					<u>35,995</u>	<u>28,217</u>
Minority interests					<u>(10,500)</u>	<u>(9,318)</u>
Net profit attributable to shareholders					<u><u>25,495</u></u>	<u><u>18,899</u></u>

(b) Business segments

Over 94% of the Group’s revenue, results, assets, liabilities and capital expenditures are derived from the business segment of rental income from property letting.

3 TURNOVER AND OTHER REVENUE

Turnover represents the total amounts received and receivable on the sales of properties and interests in investment properties, the provision of service apartment and property management services, and project management services, property agency services and rental income, net of PRC business tax, from property letting, after elimination of all significant intra-group transactions.

Revenue from the following activities has been included in the Group's turnover:

	For the six months ended 30 June	
	2003 <i>(Unaudited)</i> HK\$'000	2002 <i>(Unaudited)</i> HK\$'000
Turnover		
Rental income	57,277	51,870
Property management fee	3,383	3,586
Pub business	—	2,642
	<u>60,660</u>	<u>58,098</u>
Other revenue		
Interest income	715	57
Other	2,969	4,452
	<u>3,684</u>	<u>4,509</u>

4 PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting) the following:

	For the six months ended 30 June	
	2003 <i>(Unaudited)</i> HK\$'000	2002 <i>(Unaudited)</i> HK\$'000
Depreciation	207	1,254
Staff costs (including those of directors):		
Wages and salaries	4,307	4,653
Gross rental income	(57,277)	(51,870)
Less: Outgoings	9,538	10,248
Net rental income	<u>(47,739)</u>	<u>(41,622)</u>
Interest income	(715)	(57)
Exchange loss	158	—
	<u>158</u>	<u>—</u>

5 TAX

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Hong Kong and the PRC:		
Provision for the period	(2,778)	(5,349)
Overprovision in prior year	4,500	—
	<u>1,722</u>	<u>(5,349)</u>
Deferred tax		
Provision for the period	(250)	—
	<u>1,472</u>	<u>(5,349)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) of the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere in the People's Republic of China have been calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

In March 2003, the Hong Kong government proposed that the rate for Hong Kong profit tax would be increased to 17.5% with effect from the 2003/04 year of assessment, which was passed by the Legislative Council on 25 June 2003. This increase is taken into account in the preparation of the Group's 2003 interim financial statements.

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties has been charged directly to the revaluation reserve.

6 INTERIM DIVIDEND PER SHARE

The Board of Directors has resolved to distribute an interim dividend of 0.15 HK cent (2002: 0.15 HK cent) per ordinary share to the shareholders whose names appear on the Register of Shareholders of the Company on 31 October 2003. The interim dividend will be distributed to the shareholders on 14 November 2003.

7 BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$25,495,000 (2002 : net profit of HK\$18,899,000) and the weight average of 4,000,526,323 (2002: 4,000,526,323 as adjusted for the bonus issue of shares during the period from 1 July 2002 to 30 June 2003) shares in issue during the period under review.

The basic earnings per share for the six months ended 30 June 2002 has been adjusted to take into account the effect of the bonus issue of shares during the period from 1 July 2002 to 30 June 2003.

Diluted earnings per share for the period ended 30 June 2002 and 2003 have not been presented as no diluting events existed for both years.

8 ACCOUNTS AND BILLS RECEIVABLES

The aged analysis of accounts receivables at the balance sheet date is as follows:

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
Accounts receivables	64,438	3,891
Bills receivables	15,769	—
	<u>80,207</u>	<u>3,891</u>

An aged analysis of accounts receivables is as follows:

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
Aged:		
1 - 3 months	60,484	3,318
4 - 6 months	3,840	425
Over 6 months	114	148
	<u>64,438</u>	<u>3,891</u>

The tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rental in order to secure any default in their rental payments.

An aged analysis of bills receivables is as follows:

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
Aged:		
1 - 3 months	15,769	—

9 ACCOUNTS AND BILLS PAYABLES

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
Accounts payables	4,262	2,914
Bills payables	76,083	—
	<u>80,345</u>	<u>2,914</u>

An aged analysis of accounts payables at the balance sheet date is as follows:

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
1 - 3 months	2,178	1,282
4 - 6 months	4	9
Over 6 months	2,080	1,623
	<u>4,262</u>	<u>2,914</u>

An aged analysis of bills payables is as follows:

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
1 - 3 months	76,083	—

10 DUE TO A DIRECTOR / MINORITY SHAREHOLDER

The amount due to a director is unsecured, interest-free and is not repayable within one year. The amount due to a minority shareholder is unsecured, interest-free and has no fixed terms of repayment.

11 DEFERRED TAX

Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movements during the period are as follows:

	Six months ended 30 June 2003 (Unaudited)				
	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Provision <i>HK\$'000</i>	Tax loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January					
- as previously reported	—	31,131	—	—	31,131
- prior year adjustment on adoption of SSAP 12 (Revised)	2,298	—	329,400	(2,298)	329,400
- as restated	2,298	31,131	329,400	(2,298)	360,531
Charge to income for the period	250	—	—	—	250
At 30 June	2,548	31,131	329,400	(2,298)	360,781
	Six months ended 30 June 2002 (Unaudited)				
	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Provision <i>HK\$'000</i>	Tax loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January					
- as previously reported	—	31,131	—	—	31,131
- prior year adjustment on adoption of SSAP 12 (Revised)	2,007	—	107,397	(2,423)	106,981
- as restated	2,007	31,131	107,397	(2,423)	138,112
Charge to income for the period	142	—	—	(142)	—
At 30 June	2,149	31,131	107,397	(2,565)	138,112

12 SHARE CAPITAL

	As at 30 June 2003 (Unaudited) <i>HK\$'000</i>	As at 31 December 2002 (Restated) <i>HK\$'000</i>
Authorised:		
50,000,000,000 (2002: 50,000,000,000) shares of HK\$0.01 (2002: HK\$0.01 each) each	500,000	500,000
Issued and fully paid:		
4,000,526,323 (2002: 4,000,526,323) shares of HK\$0.01 (2002: HK\$0.01 each) each	40,005	40,005

Share Option Scheme

The Company adopted a new share option scheme on 27 June 2003 (the "Adoption Date") in line with the amendments made under Chapter 17 of the Listing Rules of the Stock Exchange of Hong Kong Limited, which came into effect on 1 September 2001. Following the adoption of the new share option scheme, the old share option scheme adopted by the Company on 10 July 1998 was terminated with effect from 27 June 2003.

12 SHARE CAPITAL (continued)

The purpose of the new share option scheme (the "Scheme") is to recognize and motivate the contribution of eligible participants and to provide incentives and help the Company in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company. Eligible participants of the Scheme include any employee (including any executive and non-executive Director), adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The Scheme became effective on the Adoption Date and, unless otherwise cancelled or amended, will remain in force for 10 years commencing from the Adoption Date.

The maximum number of shares over which options may be granted may not exceed 10 per cent of the total number of shares in issue as at the Adoption Date. At 30 June 2003, the number of shares issuable under share options granted under the Scheme was 400,052,632.

The share subscription price of any options granted under the Scheme will not be less than the higher of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (b) the average closing price of the Share as stated in the Stock Exchange's daily quotations sheet for the 5 trading days immediately preceding the day of grant; and (c) the nominal value of a Share.

The offer of a grant of share options may be accepted upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the Board of Directors.

No share options were granted, exercised, lapsed or cancelled during the period.

13 CAPITAL COMMITMENTS

As at balance sheet date, the Group had capital commitments in respect of the following:

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Restated) HK\$'000
Authorised and contracted for	16,800	15,000
	<u>16,800</u>	<u>15,000</u>

14 CONTINGENT LIABILITIES

The Company had guarantees amounting to HK\$497,890,000 (2002: 497,890,000) given to banks for the banking facilities which had been fully utilised at the balance sheet date, granted by the banks to certain subsidiaries.

15 RELATED PARTY TRANSACTIONS

		For the six months ended 30 June	
	Note	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Lease rental received from Linkful Management Services Ltd	(i)	450	900

Note:

- (i) Mr. Lau Chi Yung, Kenneth and Mr. Tsang Pak Chung, Eddy, directors of the Company, are the directors of Linkful Management Services Limited, Mr. Lau Chi Yung, Kenneth is also a substantial shareholder of Oriental Explorer Holdings Limited, the ultimate holding company of Linkful Management Services Limited.

The lease rental received was arrived at after negotiations between both parties with reference to the prevailing market rentals.

16 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

17 APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by the Board of Directors on 17 September 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Shareholders of the Company will be closed from 29 October 2003 to 31 October 2003, both days inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrars in Hong Kong, Tengis Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on 28 October 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Nobody would disagree the first half of 2003 was a very difficult year for Hong Kong at large with unpromising economic outlook, severe business contraction, persistent deflationary pressure, and high unemployment rate. Besides, the outbreak of SARS in the first half of the year further aggravated the situation and brought Hong Kong into doldrums with investors' confidence hitting an unprecedented low level. Needless to say, all Hong Kong property companies were badly hit in 2003.

Despite these negative factors, the Group remained very focused in its core rental business and ended up performing very well in the first half of 2003 with a after tax net profit of HK\$25 million, an increase of 35% as compared with 2002. The rental derived from the service apartments in Shanghai was particularly pleasing and accounted for 74% of the turnover whereas the rental from the Hong Kong property portfolio still maintained at a very satisfactory level despite a very poor sluggish market sentiment prevailing in Hong Kong.

Shanghai

China GDP grew by 7.87% in 2002, compared with the dismal growth in the other major economies. Furthermore, with China entry into the World Trade Organization and its successful bid to host the 2008 Olympics and World Expo 2010, foreign direct investment is expected to increase, and this is expected to have a multiplier effect on the China economy.

Nobody will disagree that Shanghai is the fastest growing financial and commercial centre in China with a double digit GDP growth. Recognizing its market potential, the Group, operating under the name of "Windsor Renaissance", seized the opportunity to enter into the Shanghai property market back in 1994. Our trademark, "Windsor Renaissance", which is a symbol of high quality service apartment, has been very well accepted by the expatriate community in Shanghai and at present, our tenant base covers hundreds of multinational corporations from all over the world.

This year, what was particularly noteworthy was the completion of a brand new prime residential development in Shanghai known as "Windsor Place", a project comprising 126 detached houses and townhouses of first class hotel quality. The responses from new tenants have been very encouraging so far and it is envisaged that a recurring annual rental of close to HK\$65 million would be generated from this project alone.

For the first half of 2003, our chain of service apartments in Shanghai performed very well with occupancy rate consistently maintained at close to 90%. At present, a portfolio of around 500 service apartments and houses are under our management.

Hong Kong

On the other hand, the Hong Kong property market, after a period of extensive consolidation with a sharp adjustment in value and a dramatic drop in the number of transactions, is still in doldrums and has still not recovered. Even though we have every confidence in the Hong Kong economy in the long term, in the meantime, we have no other alternative but to face the reality and bite the bullet as life in Hong Kong has to go on. Despite a poor sentiment in the Hong Kong property market in the first half of 2003, the Group could still maintain an occupancy rate of close to 85% for its Hong Kong portfolio. Recently, with the help of the China Central Government and the release of new travel policy, the prevailing economic outlook in Hong Kong has shown signs of recovery. We should adopt a positive attitude and are of strong belief that under the leadership of Mr. C.H. Tung, the Hong Kong Government will endeavour to revitalize the property market and the current depression in the Hong Kong economy may only prolong for another 3 years at most. It is our intention to start to look for opportunities in Hong Kong again when the timing is right.

ACQUISITION OF ORIENTAL EXPLORER HOLDINGS LIMITED (“Oriental Explorer”)

On 16 May 2003, the Group made a voluntary conditional cash offer to acquire all the issued shares of Oriental Explorer at a price of HK\$0.045 per share. Prior to the general offer, the Group had a beneficial interest in 535,600,000 shares in Oriental Explorer, representing 29.76% of its issued share capital.

The acquisition represents an opportunity for the Group to widen its business scope and to participate in the international steel trading business. Diversification into this line of business is in the interests of the Group and the shareholders as a whole as the international steel market has shown signs of recovery with a significant increase in demand from the Asian market especially China.

The general offer became unconditional on 27 June 2003 and at the closing of the offer, 482,554,999 shares were received, representing 26.81% of the issued share capital of Oriental Explorer. As a result, Oriental Explorer became a subsidiary of the Group and its operating results and underlying assets/liabilities were consolidated into the Group as from 27 June 2003.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 30 June 2003, the Group had outstanding bank loans amounting to HK\$756 million, which were secured by legal charges on certain investment properties and properties held for sale in Hong Kong and Shanghai. As at 30 June 2003, out of the total outstanding bank borrowings of approximately HK\$756 million (out of which HK\$712 million were denominated in Hong Kong dollars and the remaining balance in Renminbi), HK\$69 million are repayable within one year, HK\$391 million are repayable in the second year with the remaining balance repayable beyond the second year. The Group's cash and bank balances and short term bank deposits as at 30 June 2003 amounted to approximately HK\$235 million. The Group's gearing ratio as at 30 June 2003 was approximately 36% based on the total bank borrowings of approximately HK\$756 million and the aggregate of the shareholders' funds, minority interests and total bank borrowings of approximately HK\$2,054 million.

PERSONNEL

As at 30 June 2003, the Group had a total of 500 employees, of whom 470 were based in the PRC and 30 in Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECTS

No one knows how long the economic downturn will last, we therefore should prepare ourselves very well to cope with the future fluctuation. Even though Hong Kong has recently seen light in the tunnel, the Board remains cautious about the outlook for the balance of 2003. The Board does trust that a strong recovery in the Hong Kong property market in the near future is still difficult if not impossible and the revitalization of the Hong Kong property market could only be materialized if the public confidence is returning and the local economy is approaching to a tangible recovery with an apparent improvement in real GDP and unemployment rate. However, we still remain very positive about the long term prospect of Hong Kong and will start to search for appropriate investment opportunities when the timing is right.

As regards our investment in Shanghai, we are very optimistic about our service apartment chain operation. Shanghai, as the financial and commercial hub of China, is bound to be the fastest growing city in China in the forthcoming years. As we have already established a firm footing and a strategic presence in Shanghai, we are very confident that we are extremely well positioned to deliver solid performance in this sector of business in the future. With the continuing opening up policy adopted by the Chinese Central Government, we strongly believe that the property market in Shanghai would flourish in the long run even though there may be some immediate control measures likely to be introduced by the government to cool down the prevailing property market sentiment. At present, we are progressively but cautiously searching for appropriate land bank and investment opportunities to cater for future growth in Shanghai. We strongly believe that the Group is heading the right direction and is extremely well placed to capitalize on this exciting opportunity.

The achievements of the past several years, which brought the Group to its current strong position, allow us to look forward with confidence to the future. The Board and management of the Group are dedicated to rewarding the shareholders who have supported the Company by their investment and have decided to continue to upkeep the dividend policy by proposing an interim dividend of 0.15 HK cent per share.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2003, the interests of the directors and chief executives and their associates in the ordinary share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), were as follows:

Interests in the Company's shares

Name of director	Nature of interest	Number of shares
Mr. Lau Chi Yung, Kenneth	Corporate	2,327,424,000

The above shares are ultimately controlled by Power Resources Holdings Limited as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors, chief executives or their associates had any interests in the share capital of the Company and its associated corporations as defined in the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits", most of the detailed disclosures relating to the Company's share option scheme have been moved to note 12 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, save for the interests of the directors disclosed above, according to the register kept by the Company under Section 336 of the SFO and so far as the directors were aware, the following were the only parties who directly or indirectly held 5% or more of the issued share capital of the Company:

Name of shareholders	Number of shares held
Power Resources Holdings Limited #	2,327,424,000
Lucky Speculator Limited	2,195,424,000
Neich Holdings Limited	358,091,712

Power Resources Holdings Limited was deemed to have a beneficial interest in 2,327,424,000 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and certain other wholly-owned subsidiary which held shares in the Company.

Save as disclosed herein, according to the above-mentioned register of interests and, so far as the directors were aware, there were no persons who, directly or indirectly, held or were beneficially interested in 5% or more of the issued share capital of the Company at 30 June 2003.

REVIEW BY AUDIT COMMITTEE

The Group's Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management the internal control and financial reporting matters including the review of the Group's unaudited results for the six months ended 30 June 2003.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of the Stock Exchange, save that the non-executive directors of the Company have not been appointed for a specific term, but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company, in accordance with the provisions of the Company's bye-laws.

PURCHASES, SALES OR REDEMPTIONS OF THE COMPANY'S LISTED SECURITIES

During the period, there were no purchases, sales or redemptions of the Company's listed securities by the Company or by any of its subsidiaries.

By order of the Board
Tsang Pak Chung, Eddy
Vice-Chairman

Hong Kong, 17 September 2003