



**G-PROP**  
(HOLDINGS) LIMITED

# **G-PROP (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

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Interim Report  
For The Six Months  
Ended 30th September, 2003

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## **CORPORATE INFORMATION**

*Executive Directors:*

Chan Hung Lit, Simon (*Chairman*)  
Yung Man Chi  
Wong Sai Tat  
Leung Wing Pong  
Shek Lai Ping, Jackie

*Independent Non-executive Directors:*

Chan Kam Wing, Jack

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

*Principal Place Of Business:*

Room 101, 1/F, MassMutual Tower  
38 Gloucester Road  
Wanchai, Hong Kong

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## RESULTS

The board of directors of G-Prop (Holdings) Limited (the “Company”) presents the unaudited condensed results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September, 2003, together with the comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT For the six months ended 30th September, 2003

	Six months ended 30th September,	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Turnover (Note 2)	2,130	4,972
Cost of sales	<u>(1,967)</u>	<u>(3,813)</u>
Gross profit	163	1,159
Other revenue	441	453
Distribution costs	(4)	(137)
Administrative expenses	(1,968)	(18,498)
Other operating expenses	<u>(11,796)</u>	<u>(1,382)</u>
Loss from operations	(13,164)	(18,405)
Finance costs	(6,142)	(5,320)
Share of results of jointly controlled entities	–	(77)
Restructuring expenses	(2,466)	–
Net loss on disposal of subsidiaries	–	(2,371)
Impairment loss on goodwill	–	<u>(61,922)</u>
Loss before taxation	(21,772)	(88,095)
Taxation (Note 4)	<u>(1)</u>	<u>(2)</u>
Loss before minority interests	(21,773)	(88,097)
Minority interests	<u>2</u>	<u>13</u>
Loss for the period	<u>(21,771)</u>	<u>(88,084)</u>
Loss per share (Note 5)		
Basic	<u>HK\$(0.02)</u>	<u>HK\$(0.12)</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**At 30th September, 2003**

	<b>30th September, 2003</b> (Unaudited) <i>HK\$'000</i>	31st March, 2003 (Audited) <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Investment properties ( <i>Note 6</i> )	<b>124,550</b>	135,650
Property, plant and equipment ( <i>Note 6</i> )	<b>907</b>	1,302
Interests in jointly controlled entities	<b>767</b>	767
Club debentures	<b>220</b>	220
	<hr/> <b>126,444</b> <hr/>	<hr/> 137,939 <hr/>
<b>CURRENT ASSETS</b>		
Inventories	<b>371</b>	371
Trade and other receivables ( <i>Note 7</i> )	<b>1,430</b>	2,470
Investments in securities	<b>9,900</b>	9,900
Amounts due from associates	<b>2,659</b>	2,535
Loans to a minority shareholder of subsidiaries	<b>16,000</b>	16,000
Bank balances and cash	<b>715</b>	278
	<hr/> <b>31,075</b> <hr/>	<hr/> 31,554 <hr/>
<b>CURRENT LIABILITIES</b>		
Trade and other payables ( <i>Note 8</i> )	<b>25,555</b>	22,722
Taxation payable	<b>109</b>	109
Advances from a minority shareholder of a subsidiary	<b>53,830</b>	52,365
Borrowings – due within one year	<b>11,051</b>	12,755
Obligations under finance leases - due within one year	<b>1,059</b>	1,056
	<hr/> <b>91,604</b> <hr/>	<hr/> 89,007 <hr/>
<b>NET CURRENT LIABILITIES</b>	<hr/> <b>(60,529)</b> <hr/>	<hr/> (57,453) <hr/>
	<hr/> <b>65,915</b> <hr/>	<hr/> 80,486 <hr/>
<b>CAPITAL AND RESERVES</b>		
Share capital ( <i>Note 9</i> )	<b>12,641</b>	12,641
Share premium and reserves	<b>(409,893)</b>	(388,122)
	<hr/> <b>(397,252)</b> <hr/>	<hr/> (375,481) <hr/>
<b>MINORITY INTERESTS</b>	<hr/> <b>104</b> <hr/>	<hr/> 106 <hr/>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings – due after one year	<b>23,387</b>	20,017
Obligations under finance leases – due after one year	<b>–</b>	225
Convertible bonds – due after one year	<b>439,676</b>	435,619
	<hr/> <b>463,063</b> <hr/>	<hr/> 455,861 <hr/>
	<hr/> <b>65,915</b> <hr/>	<hr/> 80,486 <hr/>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
*For the six months ended 30th September, 2003*

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2003</b>	2002
	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	<b>(21,772)</b>	(88,095)
Adjustment for:		
Depreciation for property, plant and equipment	<b>73</b>	1,253
Amortisation of issue costs of convertible bonds	<b>4,057</b>	3,439
Unamortised issue costs written off on the conversion of convertible bonds	–	388
Amortisation of intangible asset	–	765
Share of results of jointly controlled entities	–	77
Amortisation of goodwill arising on acquisition of subsidiaries	–	1,492
Amortisation of goodwill arising on acquisition of associates	–	725
(Gain) Loss on disposal of property, plant and equipment	<b>(24)</b>	1,466
Deficit arising on revaluation of investment properties	<b>11,100</b>	1,200
Net loss on disposal of subsidiaries	–	2,371
Impairment loss on goodwill	–	61,922
Interest expenses	<b>2,085</b>	1,493
Interest income, other than from loan receivables	<b>(12)</b>	(29)
	<hr/>	<hr/>
<i>Operating cash flows before movements in working capitals</i>	<b>(4,493)</b>	(11,533)
Decrease in inventories	–	155
Decrease in other investment	–	651
Decrease (Increase) in trade and other receivables	<b>1,040</b>	(1,589)
Decrease in short-term loan receivables	–	123
Increase in trade and other payables	<b>2,968</b>	2,730
	<hr/>	<hr/>
<i>Cash used in operations</i>	<b>(485)</b>	(9,463)
Interest received, other than from loan receivables	<b>12</b>	11
Income taxes paid	<b>(1)</b>	(2)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(474)</b>	(9,454)
	<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)	–	200
Proceeds from disposal of property, plant and equipment	<b>346</b>	1,092
Purchase of subsidiaries (net of cash and cash equivalents acquired)	–	(612)
Amounts advanced to jointly controlled entities	–	(293)
Amounts advanced to associates	<b>(124)</b>	(4,396)
Decrease in finance lease receivables	–	71
Purchase of property, plant and equipment	–	(846)
	<hr/>	<hr/>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>222</b>	(4,784)
	<hr/>	<hr/>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (cont'd)**  
**For the six months ended 30th September, 2003**

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2003</b>	2002
	(Unaudited)	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>FINANCING ACTIVITIES</b>		
Interest paid	–	(1,001)
Finance lease charges paid	<b>(10)</b>	(184)
Borrowings raised	<b>2,709</b>	–
Proceeds from issue of shares	–	20,294
Redemption of convertible bonds	–	(674)
Repayment of borrowings	<b>(2,010)</b>	(1,839)
Expenses in connection with the issue of convertible bonds	–	(903)
Expenses in connection with the issue of shares	–	(673)
	<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>689</b>	15,020
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>437</b>	782
<b>CASH AND CASH EQUIVALENTS</b>		
<b>AT BEGINNING OF PERIOD</b>	<b>278</b>	562
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>715</b>	1,344
	<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30th September, 2003*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2002	4,780	142,029	208	(45)	392,380	(698,605)	(159,253)
Share issued at premium	5,867	21,427	-	-	-	-	27,294
Expenses in connection with the issue of shares	-	(673)	-	-	-	-	(673)
Realised on disposal of subsidiaries	-	-	3	-	-	-	3
Loss for the period	-	-	-	-	-	(88,084)	(88,084)
	<u>10,647</u>	<u>162,783</u>	<u>211</u>	<u>(45)</u>	<u>392,380</u>	<u>(786,689)</u>	<u>(220,713)</u>
At 30th September, 2002	10,647	162,783	211	(45)	392,380	(786,689)	(220,713)
Share issued at premium	1,994	6	-	-	-	-	2,000
Exchange difference arising on translation of the financial statements of overseas operations	-	-	(75)	-	-	-	(75)
Expenses in connection with the issue of shares	-	(190)	-	-	-	-	(190)
Realised on disposal of subsidiaries	-	-	98	127	-	-	225
Loss for the period	-	-	-	-	-	(156,728)	(156,728)
	<u>12,641</u>	<u>162,599</u>	<u>234</u>	<u>82</u>	<u>392,380</u>	<u>(943,417)</u>	<u>(375,481)</u>
At 1st April, 2003	12,641	162,599	234	82	392,380	(943,417)	(375,481)
Loss for the period	-	-	-	-	-	(21,771)	(21,771)
	<u>12,641</u>	<u>162,599</u>	<u>234</u>	<u>82</u>	<u>392,380</u>	<u>(965,188)</u>	<u>(397,252)</u>
<b>At 30th September, 2003</b>	<b><u>12,641</u></b>	<b><u>162,599</u></b>	<b><u>234</u></b>	<b><u>82</u></b>	<b><u>392,380</u></b>	<b><u>(965,188)</u></b>	<b><u>(397,252)</u></b>



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### *For the six months ended 30th September, 2003*

#### **1. Basis of preparation of accounts**

In preparing the financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of its net current liabilities of approximately HK\$61 million and deficiency in shareholders' funds of approximately HK\$397 million as at 30th September, 2003.

A conditional agreement (the "Agreement") for the proposed financial restructuring of the Group was entered into on 15th July, 2003 with Chinese Estates Holdings Limited ("Chinese Estates") and its wholly-owned subsidiary, Million Point Limited ("Million Point"), whereby, Chinese Estates would become the controlling shareholder of the Group. Further details of the Agreement are disclosed in the announcement of the Company dated 15th July, 2003.

The Agreement with Chinese Estates and Million Point is, however, conditional upon scheme of arrangement for the restructuring of the Company's indebtedness being accepted by the majority of each class of the Company's creditors and the shareholders, which has been obtained on 13th October, 2003. The Agreement is also conditional upon the relevant approvals being obtained from the High Court of Hong Kong (which has been obtained on 28th October, 2003), the Supreme Court of Bermuda (which has been obtained on 30th October, 2003), the Hong Kong regulatory authorities, including The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Securities and Futures Commission.

The financial statements have been prepared on a going concern basis on the basis that the proposed financial restructuring will be successfully completed, and that, following the financial restructuring the Group will continue in operational existence and will have sufficient working capital to meet in full its financial obligations as they fall due for the foreseeable future.

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 to the Rules Governing the Listing of Securities on Stock Exchange ("Listing Rules"). The accounting policies and methods of computation used in the preparation of the condensed financial statements are consistent with those used in the annual accounts for the year ended 31st March, 2003, except that the Group has adopted SSAP 12 (Revised) "Income Taxes" in the current period.

#### *Income Taxes*

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In prior 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 of 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. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

#### **2. Turnover and segment information**

##### *Business segments*

For management purposes, the Group is currently organised into five operating activities – energy saving machine, other investments, properties, investment and finance and leasing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Energy saving machine	–	manufacturing and trading of energy saving machine
Other investments	–	trading of other investments
Properties	–	trading of properties held for resale
Investment and finance	–	engage in investing and financing activities
Leasing	–	leasing of equipment and property rental

## 2. Turnover and segment information (cont'd)

### Business segments (cont'd)

Segment information about these businesses is presented below:

#### Six months ended 30th September, 2003

	Energy saving machine HK\$'000	Other investments HK\$'000	Properties HK\$'000	Investment and finance HK\$'000	Leasing HK\$'000	Consolidated HK\$'000
Income statement:						
Turnover						
External sales	<u>292</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>1,773</u>	<u>2,130</u>
Segment result	<u>48</u>	<u>-</u>	<u>-</u>	<u>(633)</u>	<u>(10,965)</u>	<u>(11,550)</u>
Interest income						12
Unallocated corporate expenses						<u>(1,626)</u>
Loss from operations						<u>(13,164)</u>
Finance costs						<u>(6,142)</u>
Restructuring expenses						<u>(2,466)</u>
Loss before taxation						<u>(21,772)</u>
Taxation						<u>(1)</u>
Loss before minority interests						<u><u>(21,773)</u></u>

#### Six months ended 30th September, 2002

	Energy saving machine HK\$'000	Other investments HK\$'000	Properties HK\$'000	Investment and finance HK\$'000	Leasing HK\$'000	Consolidated HK\$'000
Income statement:						
Turnover						
External sales	<u>2,769</u>	<u>626</u>	<u>-</u>	<u>411</u>	<u>1,166</u>	<u>4,972</u>
Segment result	<u>(5,288)</u>	<u>(25)</u>	<u>-</u>	<u>539</u>	<u>(545)</u>	<u>(5,319)</u>
Interest income						29
Unallocated corporate expenses						<u>(13,115)</u>
Loss from operations						<u>(18,405)</u>
Finance costs						<u>(5,320)</u>
Share of results of jointly controlled entities	-	-	(4)	-	(73)	(77)
Loss on disposal of subsidiaries						<u>(2,371)</u>
Impairment loss on goodwill	(49,234)	-	-	(12,688)	-	<u>(61,922)</u>
Loss before taxation						<u>(88,095)</u>
Taxation						<u>(2)</u>
Loss before minority interests						<u><u>(88,097)</u></u>

## 2. Turnover and segment information (cont'd)

### Geographical segments

The Group's operations are principally located in Hong Kong, the People's Republic of China ("PRC") and Canada.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue		Loss from operations	
	Six months ended 30th September,		Six months ended 30th September,	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	1,838	2,302	(11,643)	(2,825)
Canada	–	(4)	–	46
PRC	168	2,674	108	(1,902)
Others	124	–	(15)	(638)
	<u>2,130</u>	<u>4,972</u>	<u>(11,550)</u>	<u>(5,319)</u>
Interest income			12	29
Unallocated corporate expenses			(1,626)	(13,115)
Loss from operations			<u>(13,164)</u>	<u>(18,405)</u>

## 3. Depreciation / amortisation

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Amortisation of intangible assets	–	765
Amortisation of goodwill arising on acquisition of		
– subsidiaries	–	1,492
– associates	–	725
Depreciation of property, plant and equipment:		
– owned assets	73	954
– assets held under finance leases	–	299
	<u>73</u>	<u>4,235</u>

## 4. Taxation

	Six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
The charge comprises:		
Taxation of the Company and its subsidiaries		
– Hong Kong Profits Tax	–	–
– overseas taxation	(1)	(2)
	<u>(1)</u>	<u>(2)</u>

#### 4. Taxation (cont'd)

No provision for Hong Kong Profits Tax has been made for the six months ended 30th September, 2003 as the Company and its subsidiaries either did not have any assessable profits or the assessable profits of certain subsidiaries are wholly absorbed by tax losses brought forward. No provision for Hong Kong Profits Tax has been made for the six months ended 30th September, 2002 for the Company and its subsidiaries because these companies incurred tax losses for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

As at 30th September, 2003, the Group had potential net deferred taxation assets principally resulting from estimated tax losses. The potential net deferred taxation asset has not been recognised in the condensed financial statements due to the unpredictability of future profit streams.

#### 5. Loss per share

The calculation of the basic loss per share is based on the loss for the period of HK\$21,771,000 (2002: HK\$88,084,000) and on number of ordinary shares in issue during the period of 1,264,138,618 shares (2002: weighted average number of ordinary shares in issue of 724,701,158 shares).

No diluted loss per share has been calculated for the period ended 30th September, 2003 and 2002 as the exercise of the share options and the conversion of the convertible bonds would result in a decrease in the loss per share for both periods.

#### 6. Investment properties and property, plant and equipment

During the period, the Group's investment properties were revalued by Norton Appraisals Limited, an independent firm of professional property valuers, on an open market value basis. The deficit arising on revaluation has been charged to the consolidated income statement.

The Group's property, plant and equipment include cost of HK\$1,464,000 (31st March, 2003: HK\$1,464,000) and accumulated depreciation of HK\$558,000 (31st March, 2003: HK\$527,000) in respect of energy saving machines which are held for rental income under operating leases.

At 31st March, 2003, included in the net book value of property, plant and equipment of the Group are assets held under finance leases amounting to HK\$323,000.

#### 7. Trade and other receivables

The Group allows an average credit period of 30 days to its trade debtors, included in trade and other receivables is trade receivables of HK\$859,000 (31st March, 2003: HK\$1,113,000). Its aged analysis at the period end date is as follows:

	<b>30th September, 2003 HK\$'000</b>	31st March, 2003 HK\$'000
Within 30 days	174	457
31 – 60 days	123	209
Over 60 days	562	447
	<u>859</u>	<u>1,113</u>

## 8. Trade and other payables

Included in trade and other payables is trade creditors of HK\$3,221,000 (31st March, 2003: HK\$3,061,000). Its aged analysis at the period end date is as follows:

	<b>30th September, 2003 HK\$'000</b>	31st March, 2003 HK\$'000
Within 30 days	156	306
31 – 60 days	149	118
Over 60 days	2,916	2,637
	<u>3,221</u>	<u>3,061</u>

## 9. Share capital

	<b>Number of ordinary shares</b>	<b>Amount HK\$'000</b>
Authorised:		
At 1st April, 2002 (HK\$0.01 each)	20,000,000,000	200,000
– increase of authorised share capital	60,000,000,000	600,000
<b>At 30th September and 31st March, 2003 (HK\$0.01 each)</b>	<b><u>80,000,000,000</u></b>	<b><u>800,000</u></b>
Issued and fully paid:		
Ordinary shares		
At 1st April, 2002 (HK\$0.01 each)	477,994,175	4,780
– issue of shares upon placing	382,300,000	3,823
– exercise of conversion rights of convertible bonds	194,444,443	1,944
– exercise of share options	10,000,000	100
At 30th September, 2002 (HK\$0.01 each)	1,064,738,618	10,647
– issue of share upon placing	172,000,000	1,720
– exercise of share options	27,400,000	274
<b>At 30th September and 31st March, 2003 (HK\$0.01 each)</b>	<b><u>1,264,138,618</u></b>	<b><u>12,641</u></b>

## 10. Contingent liabilities

	<b>The Group</b>		<b>The Company</b>	
	<b>30th September, 2003 HK\$'000</b>	31st March, 2003 HK\$'000	<b>30th September, 2003 HK\$'000</b>	31st March, 2003 HK\$'000
Guarantees given to banks and financial institutions in respect of credit facilities extended to subsidiaries	<u>–</u>	<u>–</u>	<u>757</u>	<u>683</u>

**11. Post balance sheet event**

On 13th October, 2003, the schemes of arrangement were approved by the court meetings and all resolutions set out in the notice of special general meeting contained in the circular of the Company dated 5th September, 2003 were duly passed at the special general meeting.

On 28th October, 2003, order was made by the High Court of Hong Kong to sanction the Hong Kong schemes of arrangement.

On 30th October, 2003, order was made by the Supreme Court of Bermuda to sanction the Bermuda schemes of arrangement.

Upon effective of the schemes of arrangement, the wavier of debt (before related expenses) amounted to approximately HK\$498 million.

**12. Comparative figures**

Certain comparative figures have been restated to conform to the current period's presentation.

## **INTERIM DIVIDEND**

The board of directors resolved not to recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: nil).

## **BUSINESS REVIEW**

The Group reported a loss of HK\$21.8 million for the period ended 30th September, 2003. The loss for the period was mainly due to a provision of HK\$11.1 million made for investment properties and restructuring expenses of HK\$2.5 million. The Group's turnover for the period was HK\$2.1 million, decreased by 57.2% from the previous period. The decrease in turnover was principally due to decrease in sales of energy saving machine.

### **(1) Property Investment**

The Group's gross rental income from investment properties increased to HK\$1.5 million for the period, which was mainly derived from various industrial floors located at Chung Kiu Godown Building, Kwai Chung and various shop units located at Golden Hall Building, Yuen Long.

### **(2) Energy Saving Machine**

The sales of energy saving machine was approximately HK\$291,000 in the period. The energy saving machine business has been suspended since April 2003 as it has been loss making for a number of years.

## **FINANCIAL REVIEW**

### **Liquidity and Financing**

As at 30th September, 2003, the Group's borrowing was HK\$529.0 million (31st March, 2003: HK\$522.0 million). The Company was in the process of debt restructuring and no material change was noted in the Group's borrowing. The maturity profile of the borrowing is analysed as follows:

Debt Maturity	<i>HK\$million</i>
Repayable within 1 year	65.9
Repayable between 1 to 2 years	295.6
Repayable between 2 to 5 years	148.2
Repayable after 5 years	19.3

All of the Group's borrowings were in Hong Kong dollars at period end and approximately 83.1% of the borrowings are fixed rate convertible bonds. The Group's finance costs for the period was HK\$6.1 million, increased by 15% (2002: HK\$5.3 million). The increase was mainly due to an increase in borrowings in the current period when compared with the period ended 30th September, 2002.

### **Contingent Liabilities**

As at 30th September, 2003, there was no material contingent liabilities for the Group.

## **Charges on Assets**

At 30th September, 2003, the Group's investment properties amounting to HK\$124.3 million (31st March, 2003: HK\$135.4 million) and the rights and benefits to the existing and future leases in respect of those investment properties were pledged for certain loan facilities and the convertible bonds due 2006 of the Group. In addition, investment in securities amounting to HK\$9.9 million (31st March, 2003: HK\$6.6 million) were pledged for other loan facilities granted to the Group.

## **Human Resources**

The Group employed 3 (31st March, 2003: 12) employees at the period end date. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$363,000 (for the period ended 30th September, 2002: HK\$4.8 million) for the period. Employees are remunerated according to nature of the job and market trend.

## **PROSPECTS**

The Group has been operating at a loss for each of the past few years and trading of shares in the Company on Stock Exchange has been suspended since 19th February, 2003. A proposal which comprises (1) the subscription by Million Point, a subsidiary of Chinese Estates, of 170,000,000 new shares in the Company, (2) the scheme of arrangement between the Company and the creditors, (3) the settlement deed between the Company and Koga Limited, (4) the capital reorganisation and (5) the settlement of the preferential claims of the preferential creditors (the "Restructuring Proposal") has been approved by the creditors and shareholders of the Company in court meetings and special general meeting held on 13th October, 2003.

The Restructuring Proposal is subject to other conditions precedent being fulfilled and is still in progress. Upon completion of the Restructuring Proposal, the pro forma unaudited adjusted consolidated net tangible assets of the Group will be approximately HK\$111.6 million, equivalent to approximately HK\$0.1616 per new share. Chinese Estates will be beneficially interested in approximately 57.6%. The directors believe that the Company will be able to capitalise and leverage on the business and management experience of Chinese Estates for the potential value addition to the business of the Group.

## **DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS**

As at 30th September, 2003, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies contained in the Listing Rules were as follows:

### **Long positions in the Existing Shares**

<b>Name of director</b>	<b>Nature of Interest</b>	<b>Number of Existing Shares held</b>	<b>Shareholding percentage (%)</b>
Mr. Chan Kam Wing, Jack	Personal	490,000	0.04



Save as disclosed above, none of the other Directors of the Company had or were deemed under the SFO to have any interest or short position 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 at 30th September, 2003.

During the six months ended 30th September, 2003, none of the Directors of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

#### **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY**

As at 30th September, 2003, so far as are known to the directors, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

##### **Long positions in Existing Shares**

<b>Name</b>	<b>Number of Existing Shares</b> <i>(Note 11)</i>	<b>Capacity</b>	<b>Percentage of Existing Shares (%)</b> <i>(Note 11)</i>
Mr. Peter To	103,873,500 <i>(Note 1)</i>	Beneficial owner	8.22
Mr. Sit Chi Ngai	80,760,000 <i>(Note 2)</i>	Beneficial owner	6.39
Chinese Estates, Limited	17,000,000,000	Interests of a controlled corporation <i>(Note 3)</i>	1,344.79
Cosmos Success Limited	17,000,000,000	Interests of a controlled corporation <i>(Note 3)</i>	1,344.79
Million Point Limited	17,000,000,000	Beneficial owner <i>(Note 4)</i>	1,344.79
Paul Y. Holdings Company Limited	22,094,000	Interests of a controlled corporation <i>(Note 5)</i>	1.75
Goldstance Group Limited	22,094,000	Interests of a controlled corporation <i>(Note 6)</i>	1.75
Great Empire International Ltd.	22,094,000	Beneficial owner <i>(Note 7)</i>	1.75
Mr. Joseph Lau, Luen-hung	17,022,094,000	Interests of a controlled corporation <i>(Note 8)</i>	1,346.54
Chinese Estates Holdings Limited	17,022,094,000	Interests of a controlled corporation <i>(Note 9)</i>	1,346.54
Mr. Li Ka-Shing	3,750,617,300	Founder of discretionary trusts and interest of controlled corporations <i>(Note 10)</i>	296.69

<b>Name</b>	<b>Number of Existing Shares (Note 11)</b>	<b>Capacity</b>	<b>Percentage of Existing Shares (%) (Note 11)</b>
Li Ka-Shing Unity Trustee Corporation Limited (as trustee of The Li Ka-Shing Unity Discretionary Trust)	3,750,617,300	Trustee and beneficiary of a trust (Note 10)	296.69
Li Ka-Shing Unity Trustcorp Limited (as trustee of another discretionary trust)	3,750,617,300	Trustee and beneficiary of a trust (Note 10)	296.69
Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust)	3,750,617,300	Trustee (Note 10)	296.69
Cheung Kong (Holdings) Limited	3,750,617,300	Interest of controlled corporations (Note 10)	296.69
Hutchison Whampoa Limited	3,750,617,300	Interest of controlled corporations (Note 10)	296.69
Hutchison Infrastructure Holdings Limited	3,750,617,300	Interest of controlled corporations (Note 10)	296.69
Cheung Kong Infrastructure Holdings Limited	3,750,617,300	Interest of controlled corporations (Note 10)	296.69

*Notes:*

1. As at 30th September, 2003, Mr. Peter To holds 103,873,500 Existing Shares in the Company, representing an approximately 8.22% interest in the existing issued share capital of the Company.
2. As at 30th September, 2003, Mr. Sit Chi Ngai holds 80,760,000 Existing Shares in the Company, representing an approximately 6.39% interest in the existing issued share capital of the Company.
3. Each of Chinese Estates, Limited and Cosmos Success Limited is deemed to be interested in the 17,000,000,000 Existing Shares in which Million Point is deemed to be interested as mentioned in Note 4 below since Chinese Estates, Limited owns the entire issued share capital of Cosmos Success Limited which in turn owns the entire issued share capital of Million Point.

Each of Chinese Estates, Limited and Cosmos Success Limited does not hold any Existing Shares as at 30th September, 2003. Please refer to Note 11 for the reasons as to why the percentage of interests in the Existing Shares has exceeded 100%.

4. Million Point has agreed to subscribe for 170,000,000 New Shares (equivalent to 17,000,000,000 Existing Shares before the implementation of the Capital Reorganization) under the Restructuring Agreement. As a subscriber for 170,000,000 New Shares under the Restructuring Agreement, Million Point is deemed to be interested in 17,000,000,000 Existing Shares.

Million Point does not hold any Existing Shares as at 30th September, 2003. Please refer to Note 11 for the reasons as to why the percentage of interests in the Existing Shares has exceeded 100%.

5. Paul Y. Holdings Company Limited is deemed to be interested in the 22,094,000 Existing Shares held by Great Empire International Ltd., representing an approximately 1.75% interest in the existing issued share capital of the Company, under the SFO as Paul Y. Holdings Company Limited owns the entire issued share capital of Goldstance Group Limited which in turn owns the entire issued share capital of Great Empire International Ltd..

In addition, Paul Y. Holdings Company Limited is interested in an aggregate of 4,194,444,443 underlying Existing Shares as mentioned in Note 3 under the table headed "Long positions in underlying Existing Shares of equity derivatives" below.

Save for the above deemed interests, Paul Y. Holdings Company Limited does not hold any Existing Shares as at 30th September, 2003.

6. Goldstance Group Limited is deemed under the SFO to be interested in the 22,094,000 Existing Shares held by Great Empire International Ltd., representing an approximately 1.75% interest in the existing issued share capital of the Company, as well as the 1,027,777,777 underlying Existing Shares in which Great Empire International Ltd. is interested by virtue of Great Empire International Ltd.'s holding of certain convertible bonds issued by the Company as mentioned in Note 5 under the table headed "Long positions in underlying Existing Shares of equity derivatives" below, as Goldstance Group Limited owns the entire issued share capital of Great Empire International Ltd..

Save for the above deemed interests, Goldstance Group Limited does not hold any Existing Shares as at 30th September, 2003.

7. Great Empire International Ltd. is the beneficial owner of 22,094,000 Existing Shares, representing an approximately 1.75% interest in the existing issued share capital of the Company as at 30th September, 2003. In addition, Great Empire International Ltd. is interested in 1,027,777,777 underlying Existing Shares by virtue of its holding of certain convertible bonds issued by the Company as mentioned in Note 5 under the table headed "Long positions in underlying Existing Shares of equity derivatives" below.

8. Under the SFO, Mr. Joseph Lau, Luen-hung is deemed to be interested in:

- (i) 17,022,094,000 Existing Shares (comprising 22,094,000 Existing Shares directly held by Great Empire International Ltd., representing an approximately 1.75% interest in the existing issued share capital of the Company, and 17,000,000,000 Existing Shares attributable to Million Point) in which Chinese Estates is taken to be interested as mentioned in Note 9 below; and
- (ii) 4,503,681,390 underlying Existing Shares in which Chinese Estates is taken to be interested as mentioned in Note 2 under the table headed "Long positions in underlying Existing Shares of equity derivatives" below, as he is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Chinese Estates.

Save for the above deemed interests, Mr. Joseph Lau, Luen-hung does not hold any Existing Shares as at 30th September, 2003. Please refer to Note 11 for the reasons as to why the percentage of interests in the Existing Shares has exceeded 100%.

9. Of these 17,022,094,000 Existing Shares:

- (i) 22,094,000 Existing Shares are directly held by Great Empire International Ltd. Chinese Estates is taken to be interested in these shares by virtue of the SFO as Chinese Estates owns the entire issued share capital of Paul Y. Holdings Company Limited, which owns the entire issued share capital of Goldstance Group Limited, which in turn owns the entire issued share capital of Great Empire International Ltd.; and
- (ii) 17,000,000,000 Existing Shares are attributable to Million Point as mentioned in Note 4 above. Chinese Estates is taken to be interested in these shares by virtue of the SFO as Chinese Estates owns the entire issued share capital of Chinese Estates, Limited, which owns the entire issued share capital of Cosmos Success Limited which in turn owns the entire issued share capital of Million Point.

In addition, Chinese Estates is taken to be interested under the SFO in an aggregate of 4,503,681,390 underlying Existing Shares, in which its direct or indirect wholly owned subsidiaries, Paul Y. Holdings Company Limited (as to 3,166,666,666 underlying Existing Shares), Great Empire International Ltd. (as to 1,027,777,777 underlying Existing Shares) and Luckpoint Investment Limited (as to 309,236,947 underlying Existing Shares), are interested by virtue of their direct holdings of certain convertible bonds issued by the Company as mentioned in Notes 3, 5 and 7 respectively under the table headed “Long positions in underlying Existing Shares of equity derivatives” below.

Save for the above deemed interests, Chinese Estates does not hold any Existing Shares as at 30th September, 2003. Please refer to Note 11 for the reasons as to why the percentage of interests in the Existing Shares has exceeded 100%.

10. Based on the date of filing of the substantial shareholder notice by Koga Limited (“Koga”) pursuant to the SFO, Koga is interested in 37,506,173 New Shares (equivalent to 3,750,617,300 Existing Shares pursuant to the Settlement Deed). Koga is a wholly-owned subsidiary of Cheung Kong Infrastructure (BVI) Limited, which in turn is a wholly-owned subsidiary of Cheung Kong Infrastructure Holdings Limited (“Cheung Kong Infrastructure”). Cheung Kong Infrastructure is a subsidiary of Hutchison Infrastructure Holdings Limited, which in turn is a wholly-owned subsidiary of Hutchison International Limited (“Hutchison International”). Hutchison International is a wholly-owned subsidiary of Hutchison Whampoa Limited (“Hutchison Whampoa”). In addition, subsidiaries of Cheung Kong (Holdings) Limited (“Cheung Kong Holdings”) are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa.

By virtue of the SFO, Cheung Kong Holdings, Hutchison Whampoa, Hutchison International, Hutchison Infrastructure and Cheung Kong Infrastructure are each taken to have an interest in the same 3,750,617,300 Existing Shares which Koga is interested in pursuant to the Settlement Deed.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-Shing (“Mr. Li”), Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited (“LKS UT Company”). LKS UT Company as trustee of The Li Ka-Shing Unity Trust, together with certain companies which LKS UT Company as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong Holdings.

Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited (“LKS UT Corporation”) as trustee of The Li Ka-Shing Unity Discretionary Trust (“DT1”) and Li Ka-Shing Unity Trustcorp Limited (“LKS Unity Trustcorp”) as trustee of another discretionary trust (“DT2”). Each of LKS UT Corporation and LKS Unity Trustcorp holds units in The Li Ka-Shing Unity Trust.

Mr. Li is the settlor of each of DT1 and DT2 and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO.

By virtue of the SFO, each of Mr. Li, LKS UT Corporation, LKS Unity Trustcorp and LKS UT Company is also taken to have an interest in the 3,750,617,300 Existing Shares which Koga is interested in pursuant to the Settlement Deed.

In addition, each of Mr. Li, LKS UT Corporation, LKS Unity Trustcorp, LKS UT Company, Cheung Kong Holdings and Hutchison Whampoa is deemed to have a beneficial interest in 253,012,048 underlying Existing Shares as mentioned in Note 9 under the table headed “Long positions in underlying Existing Shares of equity derivatives” below.

Save for the above deemed interests, each of Mr. Li, LKS UT Corporation, LKS Unity Trustcorp, LKS UT Company, Cheung Kong Holdings, Hutchison Whampoa, Hutchison International and Cheung Kong Infrastructure does not hold any Existing Shares as at 30th September, 2003. Please refer to Note 11 for the reasons as to why the percentage of interests in the Existing Shares has exceeded 100%.

11. As the second column of the above table contains the equivalent number of Existing Shares as at 30th September, 2003 which certain interested parties may be interested in upon completion of the Restructuring Proposal, the shareholding percentage would exceed 100% given that the existing issued share capital of the Company is significantly less than the issued share capital of the Company upon completion of the Restructuring Proposal.

**Long positions in underlying Existing Shares of equity derivatives**

<b>Name</b>	<b>Number of underlying Existing Shares (Note 11)</b>	<b>Capacity</b>	<b>Percentage of Existing Shares (%)</b>
Mr. Joseph Lau, Luen-hung	4,503,681,390	Interest of a controlled corporation (Note 1)	356.26
Chinese Estates Holdings Limited	4,503,681,390	Interest of a controlled corporation (Note 2)	356.26
Paul Y. Holdings Company Limited	4,194,444,443	Beneficial owner and interests of a controlled corporation (Note 3)	331.80
Goldstance Group Limited	1,027,777,777	Interests of a controlled corporation (Note 4)	81.30
Great Empire International Ltd.	1,027,777,777	Beneficial owner (Note 5)	81.30
China Entertainment and Land Investment Company, Limited	309,236,947	Interests of a controlled corporation (Note 6)	24.46
Superford Financial Holdings Limited	309,236,947	Interests of a controlled corporation (Note 6)	24.46
China Entertainment Strategic Investments Limited	309,236,947	Interests of a controlled corporation (Note 6)	24.46
Luckpoint Investment Limited	309,236,947	Beneficial owner (Note 7)	24.46
Star East Holdings Limited	353,413,653	Interests of a controlled corporation (Note 8)	27.96
Mr. Li Ka-Shing	253,012,048	Founder of discretionary trusts & interest of controlled corporations (Note 9)	20.01
Li Ka-Shing Unity Trustee Corporation Limited (as trustee of The Li Ka-Shing Unity Discretionary Trust)	253,012,048	Trustee & beneficiary of a trust (Note 9)	20.01
Li Ka-Shing Unity Trustcorp Limited (as trustee of another discretionary trust)	253,012,048	Trustee & beneficiary of a trust (Note 9)	20.01
Li Ka-Shing Unity Trustee Company Limited (as trustee of The Li Ka-Shing Unity Trust)	253,012,048	Trustee (Note 9)	20.01

<b>Name</b>	<b>Number of underlying Existing Shares (Note 11)</b>	<b>Capacity</b>	<b>Percentage of Existing Shares (%)</b>
Cheung Kong (Holdings) Limited	253,012,048	Interest of controlled corporations (Note 9)	20.01
Hutchison Whampoa Limited	253,012,048	Interest of controlled corporations (Note 9)	20.01
China Strategic Holdings Limited	228,915,662	Interests of a controlled corporation (Note 10)	18.11

*Notes:*

- Under the SFO, Mr. Joseph Lau, Luen-hung is deemed to be interested in 4,503,681,390 underlying Existing Shares in which Chinese Estates is taken to be interested as mentioned in Note 2 below, as he is entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Chinese Estates.
- These 4,503,681,390 underlying Existing Shares comprise 3,166,666,666, 1,027,777,777 and 309,236,947 underlying Existing Shares in which Paul Y. Holdings Company Limited, Great Empire International Ltd. and Luckpoint Investment Limited have direct interests respectively by virtue of their direct holdings of certain convertible bonds issued by the Company as respectively mentioned in Notes 3, 5, and 7 below.

As Paul Y. Holdings Company Limited, Great Empire International Ltd. and Luckpoint Investment Limited are direct or indirect wholly owned subsidiaries of Chinese Estates, Chinese Estates is deemed to be interested in these 4,503,681,390 underlying Existing Shares under the SFO.

- Paul Y. Holdings Company Limited is the holder of certain convertible bonds due 2006 issued by the Company pursuant to a deed poll dated 22nd March, 2002 as supplemented by a supplemental deed poll dated 31st July, 2002. As at 30th September, 2003, the total outstanding principal amount of these convertible bonds is HK\$114 million. If Paul Y. Holdings Company Limited exercises the conversion rights attached to these convertible bonds in full at the current conversion price of HK\$0.036, Paul Y. Holdings Company Limited will receive 3,166,666,666 Existing Shares. Under the SFO, Paul Y. Holdings Company Limited is deemed to be interested in these 3,166,666,666 underlying Existing Shares.

In addition, Paul Y. Holdings Company Limited is deemed to be interested under the SFO in the 1,027,777,777 underlying Existing Shares in which Great Empire International Ltd. is interested by virtue of Great Empire International Ltd.'s holding of certain convertible bonds issued by the Company as mentioned in Note 5 below, as Paul Y. Holdings Company Limited owns the entire issued share capital of Goldstance Group Limited which in turn owns the entire issued share capital of Great Empire International Ltd..

Therefore, Paul Y. Holdings Company Limited is taken to be interested in an aggregate of 4,194,444,443 underlying Existing Shares, comprising the above 3,166,666,666 and 1,027,777,777 underlying Existing Shares respectively.

- Goldstance Group Limited is deemed to be interested under the SFO in the 1,027,777,777 underlying Existing Shares in which Great Empire International Ltd. is interested by virtue of Great Empire International Ltd.'s holding of certain convertible bonds issued by the Company as mentioned in Note 5 below, as Goldstance Group Limited owns the entire issued share capital of Great Empire International Ltd.
- Great Empire International Ltd. is the holder of certain convertible bonds due 2006 issued by the Company pursuant to a deed poll dated 22nd March, 2002 as supplemented by a supplemental deed poll dated 31st July, 2002. As at 30th September, 2003, the total outstanding principal amount of these convertible bonds is HK\$37 million. If Great Empire International Ltd. exercises the conversion rights attached to these convertible bonds in full at the current conversion price of HK\$0.036, Great Empire International Ltd. will receive 1,027,777,777 Existing Shares. Under the SFO, Great Empire International Ltd. is deemed to be interested in these 1,027,777,777 underlying Existing Shares.

6. Each of China Entertainment and Land Investment Company, Limited, Superford Financial Holdings Limited and China Entertainment Strategic Investments Limited is deemed to be interested under the SFO in the 309,236,947 underlying Existing Shares in which Luckpoint Investment Limited is interested by virtue of Luckpoint Investment Limited's holding of certain convertible bonds issued by the Company as mentioned in Note 7 below, as Luckpoint Investment Limited is a company wholly owned directly or indirectly by China Entertainment and Land Investment Company, Limited, Superford Financial Holdings Limited and China Entertainment Strategic Investments Limited.
7. Luckpoint Investment Limited is the holder of certain convertible bonds due 2004 issued by the Company pursuant to a deed poll dated 16th October, 2001. As at 30th September, 2003, the total outstanding principal amount of these convertible bonds is HK\$77 million. If Luckpoint Investment Limited exercises the conversion rights attached to these convertible bonds in full at the current conversion price of HK\$0.249, Luckpoint Investment Limited will receive 309,236,947 Existing Shares. Under the SFO, Luckpoint Investment Limited is deemed to be interested in these 309,236,947 underlying Existing Shares.
8. Sino Logic Limited ("Sino Logic") is the holder of certain convertible bonds due 2004 issued by the Company pursuant to a deed poll dated 16th October, 2001. As at 30th September, 2003, the outstanding principal amount of the said convertible bonds is HK\$46 million. Upon conversion of the said convertible bonds at a conversion price of HK\$0.249, Sino Logic is entitled to receive 184,738,955 Existing Shares. Under the SFO, Sino Logic is deemed to be interested in these 184,738,955 underlying Existing Shares.

Sino Forum Limited ("Sino Forum") is the holder of certain convertible bonds due 2004 issued by the Company pursuant to a deed poll dated 16th October, 2001. As at 30th September, 2003, the outstanding principal amount of the said convertible bonds is HK\$42 million. Upon conversion of the said convertible bonds at a conversion price of HK\$0.249, Sino Forum is entitled to receive 168,674,698 Existing Shares. Under the SFO, Sino Forum is deemed to be interested in these 168,674,698 underlying Existing Shares.

The aggregate number of shares entitled to be received by Sino Logic and Sino Forum amounts to 353,413,653 Existing Shares. As Sino Logic and Sino Forum are indirectly wholly-owned subsidiaries of Star East Holdings Limited, Star East Holdings Limited is accordingly deemed to be interested in the aggregate of 353,413,653 underlying Existing Shares which Sino Logic and Sino Forum are interested in.

9. Hutchison International is the holder of certain convertible bonds due 2004 issued by the Company pursuant to a deed poll dated 15th November, 2001. As at 30th September, 2003, the outstanding principal amount of the said convertible bond is HK\$63 million. Upon conversion of the said convertible bonds at a conversion price of HK\$0.249, Hutchison International is entitled to receive 253,012,048 Existing Shares. Under the SFO, Hutchison International is deemed to be interested in these 253,012,048 underlying Existing Shares. By virtue of Note 9 under the table headed "Long positions in Existing Shares" above, Mr. Li, LKS UT Corporation, LKS Unity Trustcorp, LKS UT Company, Cheung Kong Holdings and Hutchison Whampoa are accordingly deemed to be interested in the 253,012,048 underlying Existing Shares which Hutchison International is interested in.
10. Dom.com Limited ("Dom.com") is the holder of certain convertible bonds due 2004 issued by the Company pursuant to a deed poll dated 16th October, 2001. As at 30th September, 2003, the outstanding principal amount of the said convertible bonds is HK\$57 million. Upon conversion of the said bond at a conversion price of HK\$0.249, Dom.com is entitled to receive 228,915,662 Existing Shares. Under the SFO, Dom.com is deemed to be interested in these 228,915,662 underlying Existing Shares. Dom.com is the wholly-owned subsidiary of China Strategic Holdings Limited. Accordingly, China Strategic Holdings Limited is deemed to be interested in the 228,915,662 underlying Existing Shares which Dom.com is interested in.
11. Since the second column of the above table contains the number of underlying Existing Shares of equity derivatives which the interested parties are interested in as at 30th September, 2003, which number represents the equivalent number of the Existing Shares when converted from the equity derivatives, the shareholding percentage of certain parties would exceed 100% given that the existing issued share capital of the Company is significantly less than the issued share capital of the Company upon conversion of such equity derivatives.

Save as disclosed herein, the Directors are not aware of any person who was, directly or indirectly, interested or had short position in the Existing Shares or underlying Existing Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, to be interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of G-Prop or any options in respect of such capital as at 30th September, 2003.

## Definitions

“Capital Reorganisation”	consolidation, subdivision and reduction of the share capital of the Company and cancellation of the share premium account of the Company, details of which are described in the Company’s circular dated 5th September, 2003
“Existing Shares”	shares of HK\$0.01 each in the capital of the Company prior to the Capital Reorganisation becoming effective
“New Shares”	shares of HK\$0.01 each in the Capital of the Company immediately following the Capital Reorganisation becoming effective
“Restructuring Agreement”	the agreement dated 15th July, 2003 entered into amongst the Company, Million Point and Chinese Estates for subscription of shares and restructuring in relation to the Company
“Restructuring Proposal”	the proposal which comprises the subscription by Million Point of the 170,000,000 New Shares pursuant to the Restructuring Agreement, the schemes, the Settlement Deed, the Capital Reorganisation and the settlement of the preferential claims of the preferential creditors by way of cash payment outside the schemes, details of which are described in the Company’s circular dated 5th September, 2003
“Settlement Deed”	the settlement deed dated 15th July, 2003 entered into between the Company, Shing Fai Management Limited, Red Dragon Finance Limited and Koga Limited in respect of the settlement of claims of Koga Limited under a shares put option agreement

## SHARE OPTION SCHEMES

The Company has adopted share option schemes on 23rd August, 2000 (the “2000 Scheme”) and 15th February, 2002 (the “2002 Scheme”). Details of the share option schemes are set out in the published annual report of the Company for the year ended 31st March, 2003. Share options are granted to directors and employees under the said schemes.

### (A) 2000 Scheme

Details of the movements of the options granted pursuant to the 2000 Scheme and the outstanding options at 30th September, 2003 are as follows:

Name of director	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options		
				Outstanding at 1.4.2003	Waived during the period	Outstanding at 30.9.2003
<i>Category 1: Executive directors</i>						
Lee Sze Kwong, William	26.8.2000	8.790	26.8.2000- 25.8.2010	444,495	(444,495)	–
	21.2.2001	1.740	21.2.2001- 20.2.2011	57,280	(57,280)	–
Cheung Kwai Sun, Roger	26.8.2000	8.790	26.8.2000- 25.8.2010	229,121	(229,121)	–



Name of director	Date of grant	Exercise price per share (HK\$)	Exercisable period	Number of share options		
				Outstanding at 1.4.2003	Waived during the period	Outstanding at 30.9.2003
	21.2.2001	1.740	21.2.2001- 20.2.2011	57,280	(57,280)	-
Total executive directors				<u>788,176</u>	<u>(788,176)</u>	<u>-</u>
<i>Category 2: Employees</i>						
	26.8.2000	8.790	26.8.2000- 25.8.2010	294,421	(294,421)	-
	21.2.2001	1.740	21.2.2001- 20.2.2011	647,269	(647,269)	-
Total employees				<u>941,690</u>	<u>(941,690)</u>	<u>-</u>
Total all categories				<u>1,729,866</u>	<u>(1,729,866)</u>	<u>-</u>

#### **(B) 2002 Scheme**

There was no option outstanding at 1st April, 2003 and at 30th September, 2003 under the 2002 Scheme. There was no option granted, exercised, cancelled or lapsed pursuant to the 2002 Scheme during the period from 1st April, 2003 and 30th September, 2003.

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

During the six months ended 30th September, 2003, there were no purchases, sales or redemptions by the Company, or any of its subsidiaries, of the Company's listed securities.

#### **CODE OF BEST PRACTICE**

Except that (1) independent non-executive directors were not appointed for any specific terms as they would be subject to retirement by rotation in accordance with clause 87(3) of the Company's Bye-laws; and (2) the requirement of the audit committee should have a minimum of two members had not been met during the period from 29th January, 2003 to 7th April, 2003 and the period from 7th July, 2003 to the date of this report, as only one member was present during the periods, no director 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 September, 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

Pursuant to Rule 3.10 of the Listing Rules, the board of the Company must include at least two independent non-executive directors, there was only one independent non-executive director appointed for the period from 29th January, 2003 to 7th April, 2003 and for the period from 7th July, 2003 to the date of this report.

#### **AUDIT COMMITTEE**

The Group's interim report for the six months ended 30th September, 2003 was unaudited, but has been reviewed by the Audit Committee.

By Order of the Board  
**Chan Hung Lit, Simon**  
*Chairman*

Hong Kong, 18th November, 2003