

CONTINGENT LIABILITIES

At 30 June 2003, there were outstanding counter indemnities relating to guarantees issued by bankers of a subsidiary in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000.

At 30 June 2003, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and an associate amounted to HK\$183 million and HK\$60 million respectively.

At 30 June 2003, guarantees given by a subsidiary to a bank to secure banking facilities made available to its associate amounted to HK\$38.5 million.

To finance the capital expenditure of its subsidiary, an intermediate subsidiary provided a guarantee to a bank to secure a banking facility made available to the Company. At 30 June 2003, the guarantee granted by the subsidiary amounted to HK\$62.3 million.

Pursuant to the revised agreement with the Macau SAR Government on 29 August 2003, a subsidiary of the Group is required to complete the remaining phases of the development project by 4 September 2005. Failure to complete the remaining phases of the development by the deadline would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in note 14(b) of the interim financial report. Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary. The Directors are confident that the remaining phase of its development project will be completed by 4 September 2005.

PROSPECTS

Pre-sale of the Magnolia and Cattleya Courts in Ocean Gardens, Macau has been successful and will contribute significantly to turnover and profits for the year. Results from the hotels on the other hand are expected to continue to disappoint, as the worldwide travel market remains preoccupied with the lingering effect of SARS, the less than robust world economy, and the spectre of terrorism acts.

Prospects for Macau continue to be positive against the backdrop of a Government, which not only remains committed to the opening of the gaming industry, but also sensibly and actively promulgates policies that place Macau in a strategic position to take advantage of the economic integration of the Pearl River Delta. Your Group expects to continue benefiting from this development.

EMPLOYEES INFORMATION

The Group had a total of 1,040 (30 June 2002: 777) employees. Of the total employees, 281 (30 June 2002: 293) were located in Macau and 391 (30 June 2002: 402) in PRC. Total salaries and related costs incurred in the first half of 2003 (including directors' emoluments), amounted to HK\$8.4 million (first half of 2002: HK\$6.9 million). The salary and benefit levels of the Group's employees are maintained at market competitive levels and employees are rewarded on a performance related basis.

INTERIM DIVIDENDS

The Directors have declared an interim dividend of HK\$0.01 (2002: HK\$0.01) per share in cash for the first six months ended 30 June 2003, payable on Wednesday, 5 November 2003, to shareholders whose names appear on the register of members of the Company on Friday, 31 October 2003.