

FINANCIAL REVIEW

Due to the proposed privatization of the Company by its majority shareholders, the Group's properties were revalued as at 15 May 2003. In preparing these condensed interim financial statements, the Group's properties were restated with reference to the above revaluation and the current market situation up to the date of this report. As a result, net assets value of the Group was decreased from HK\$6,057,925,000 at 31 December 2002 to HK\$4,804,266,000 as at the period end.

The liquidity position of the Group during the period was maintained at a satisfactory level when compared with the corresponding period of last year. As at 30 June 2003, cash and bank balances were HK\$719,260,000 as compared with HK\$756,570,000 at 31 December 2002.

Total bank and other borrowings less cash and bank balances at 30 June 2003 were HK\$3,787,916,000 which were only 1% higher than the balances as at 31 December 2002. However, the ratio of net debt to total assets was increased from 28% at 31 December 2002 to 33% at 30 June 2003. The increase was mainly due to the total assets value was reduced after the revaluation as the abovementioned.

The Group will continue to adopt a conservative approach in financial risk management. The majority of the Group's borrowings were denominated in Hong Kong Dollars, United States Dollars and Renminbi to finance its property projects, and the majority of the borrowings are arranged on a floating rate basis. Should market conditions require, the Group will consider appropriate foreign exchange and interest rate hedging products to mitigate the Group's financial exposure.

The Group has not engaged in any highly leveraged or speculative products which are not in line with the Group's treasury management philosophy.

EMPLOYEES

As at 30 June 2003, the Group had 1,496 employees. The Group determined their salaries in accordance with their performances and market situation and provided them with other benefits, including mandatory provident fund scheme, medical scheme and casualty insurance.

CODE OF BEST PRACTICE

To the best knowledge of the Directors, the Group has complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules issued by the Stock Exchange of Hong Kong Limited during the six months ended 30 June 2003.