

Interim Report 2003–2004

The Directors hereby present their management statement and the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31st December, 2003.

INTERIM RESULTS

For the six months ended 31st December, 2003, the Group’s turnover amounted to HK\$197,184,000 representing a drop of about 7% as compared with that recorded in the last corresponding period. This was mainly attributed to a decrease in sales revenue (by about 7%) from Chaoyang Garden in Beijing.

Hence, the Group recorded a gross profit of HK\$33,523,000 and an operating profit of HK\$22,050,000, showing a decrease of about 9% and 11% respectively from those recorded in the previous corresponding period. Overall, taking into account of the tax effect for the period, the Group achieved a net profit for the period of HK\$18,402,000, an increase of about 22% over the previous corresponding period.

SEGMENTAL INFORMATION

Details of the segmental information of the Group’s turnover and contribution to profit from operations by principal activity and geographical location of operations for the period are set out in note 3 to the condensed consolidated financial statements.

BUSINESS REVIEW

Chaoyang Garden/The Sun Crest

During the period under review, the property market in Beijing recovered steadily after the end of SARS. The last two residential towers of Phase II were completed and delivered to the buyers in October 2003. As a result, sales revenue totalling about HK\$176,034,000 were booked in these accounts. As at balance sheet date, about 70% of the overall residential development was sold.

Construction work of Phase III (the final phase), a commercial/service apartment complex, commenced in September 2003 and will be put forward for pre-sale by the end of this year and completion of development is scheduled at the end of 2005.

BUSINESS REVIEW *(Continued)*

Dynamic Cargo Center

In the period under review, the occupancy rate of the Group's cargo center was at a high level and stayed at about 90% as at 31st December, 2003. The upswing in the logistics sector, along with a shortage of new supply of warehousing space, had helped to show improvements of rental on new and renewal tenancies. As compared with those recorded in the last corresponding period, rental income and profit contribution marginally increased by about 3% and 6% respectively.

Tung Kok Tau

For the period under review, the port operations in Tung Kok Tau continued to make steady contributions to the Group's operating profits.

In December 2003, the Group paid the balance land premium of about Rmb156,000,000 to secure an area of 171,788 square meters comprising the "red-lined" zone of the Tung Kok Tau site having a total developable gross floor area (GFA) of 310,400 square meters.

Negotiations with the Chinese joint venture partner on the Group's proposed acquisition of 100% of the project are continuing but have been interrupted by new city planning proposals at the Shenzhen end of the Western Corridor that have generally impacted the site. It is expected that a consensus can be reached once the uncertainties brought about by the proposed changes have been clarified.

FINANCIAL REVIEW

The financial position of the Group remains healthy and liquid. At 31st December, 2003, the total shareholders' fund of the Group amounted to HK\$746,419,000 (30th June, 2003: HK\$733,110,000, restated) with net asset value of HK\$3.41 (30th June, 2003: HK\$3.35, restated). Total borrowings of the Group were about HK\$367,594,000 (30th June, 2003: HK\$190,000,000) as at 31st December, 2003, which were in Hong Kong dollars and Renminbi yuans and repayable within three years at an average interest rate of about 2.2% (30th June, 2003: 2.1%) per annum. As at 31st December, 2003, the gearing ratio of the Group was about 31% (30th June, 2003: 19%) based on the Group's net debt (after deducting bank balances and cash) to its shareholders' equity. As at 31st December, 2003, such borrowings were unsecured and secured for which the Group pledged certain of its assets (including investment properties and the land for properties under development with an aggregate carrying value of HK\$454,377,000) to financial institutions. The contingent liabilities of the Company for guarantees given to financial institutions in respect of banking facilities granted to the Group amounted to HK\$234,261,000 (30th June, 2003: HK\$198,000,000). In addition, the Group and the Company have given guarantees in respect of mortgage loans provided by banks to the home buyers of a property project in the PRC. At 31st December, 2003, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$606,259,000 (30th June, 2003: HK\$488,322,000) and HK\$15,526,000 (30th June, 2003: HK\$15,597,000) respectively.

In the period, sufficient cashflow was generated by sales proceeds of Chaoyang Garden/The Sun Crest in Beijing, rental income of Dynamic Cargo Center and revenue of port operations. As at 31st December, 2003, the Group's cash and bank balance stood at HK\$137,081,000 (30th June, 2003: HK\$50,433,000) denominated primarily in Renminbi yuans and Hong Kong dollars. No significant exposure to foreign currency fluctuations affected the Group in the period. The funding requirements for development projects of Chaoyang Garden/The Sun Crest and redevelopment of Tung Kok Tau are intended to be financed by internal resources, bank borrowings and such other means of financing as the Directors may think expedient.

EMPLOYEES

At 31st December, 2003, the Group had about 200 employees in Hong Kong and the Mainland China at prevailing market remunerations with employee benefits such as medical insurance, provident fund scheme and share option scheme.

PROSPECTS

The Beijing residential property market is still facing an over-supplied situation and competition remains intense. However, with the Group's established brand name and judging from the rate of sales over the past months, it is expected that most of the remaining units will be disposed of before the end of the calendar year.

In Hong Kong, the gradual implementation of CEPA together with the buoyancy of re-export will stimulate demands for warehousing spaces with slight improvements in rental.

The city of Shenzhen has made aggressive plans to turn the Shenzhen Bay Area into an up-market residential area with large parks and green belts. This, in conjunction with the completion of the so-called Western Corridor linking Hong Kong and Shekou in 2005 will transform the Group's Tung Kok Tau site into a prime project to become a major revenue contributor to the Group for the future.

INTERIM DISTRIBUTION

The Directors have declared an interim distribution of 2 Hong Kong cents (2002: 2 Hong Kong cents) per share for the six months ended 31st December, 2003 to all shareholders whose names appear on the register of members of the Company on 23rd April, 2004. The warrants for such distribution are expected to be despatched to those entitled on or about 7th May, 2004.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19th April, 2004 to Friday, 23rd April, 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim distribution, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 16th April, 2004.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31st December, 2003, the interests of the Directors and their associates in the shares of the Company (within the meaning of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be maintained under Section 352 of the SFO were as follows:

Name of Director	Number of issued ordinary shares held (long position)		Percentage of the issued share capital of the Company
	Personal interests	Corporate interests	
Mr. Chua Domingo <i>(Note)</i>	4,000,000	89,321,279	42.59%
Mr. Pang Kit Man, John	900,000	—	0.4%

Note: The corporate interests of Mr. Chua Domingo were held through Dynamic Development Corporation. Dynamic Development Corporation is wholly-owned by Carnation Investments Inc. of which Mr. Chua Domingo is the sole shareholder.

Save as disclosed above, none of the Directors or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO as at 31st December, 2003; or would required, pursuant to Model Code for Securities Transactions by Directors of the Listed Companies, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, the interests of substantial shareholders (other than a Director of the Company) in the shares of the Company as recorded in the register as required to be kept under Section 336 of the SFO were as follows:

Name of shareholder	Number of issued ordinary shares held (long position)	Percentage of the issued share capital of the Company
Plus Holdings Limited <i>(Note)</i>	13,152,000	6%

Note: The interests of Plus Holdings Limited were held through Telecom Plus Investment Limited, its wholly-owned subsidiary.

SUBSTANTIAL SHAREHOLDERS (Continued)

Other than as disclosed above and the interests disclosed in the Directors' interests in shares in respect of Mr. Chua Domingo, the Company has not been notified of any other interests or short position and underlying shares of the Company as required to be recorded in the register under Section 336 of the SFO as at 31st December, 2003.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting practices and principles adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of this interim report.

By Order of the Board



Pang Kit Man, John
Chief Executive Officer

Hong Kong, 25th March, 2004