



CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**Interim Report
For The Six Months
Ended 30th June, 2002**

CORPORATE INFORMATION

Executive Directors:

Thomas Lau, Luen-hung (*Chairman*)

Joseph Lau, Luen-hung

Independent Non-executive Directors:

Wong, Sin-yee

Constance Choy, Hok-man

Registered Office:

Cedar House

41 Cedar Avenue

Hamilton HM 12

Bermuda

Principal Office in Hong Kong:

26th Floor, MassMutual Tower

38 Gloucester Road

Wanchai, Hong Kong

Website:

<http://www.chineseestates.com>

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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 2 to 10.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2002.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 6th September, 2002

RESULTS

The Board of Directors of Chinese Estates Holdings Limited (the “Company”) announces the following unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2002 together with the comparative figures for 2001:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2002

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover	395,031	332,311
Cost of sales	(49,572)	(18,845)
Gross profit	345,459	313,466
Other revenue (Note 5)	35,752	36,656
Administrative expenses	(97,032)	(81,211)
Other operating expenses (Note 6)	(5,051)	(2,797)
Profit (loss) on disposal of property and other fixed assets	370	(369)
(Loss) profit on disposal of investment properties	(14,211)	5,947
Impairment loss recognised in respect of properties under development (Note 11)	(355,771)	(277,755)
Unrealised holding gain on other listed investments	1,401	5,595
Loss from operations	(89,083)	(468)
Finance costs	(124,949)	(168,152)
Other losses (Note 7)	–	(19,572)
Impairment loss recognised in respect of advances to associates (Note 8)	(11,210)	(137,750)
Share of results of associates	6,617	(21,216)
Loss before taxation	(218,625)	(347,158)
Taxation (Note 9)	(14,379)	504
Loss before minority interests	(233,004)	(346,654)
Minority interests	55,200	73,380
Loss attributable to shareholders	(177,804)	(273,274)
Interim dividends	–	–
Transfer to reserve	(177,804)	(273,274)
Loss per share (Note 10)		
Basic	(7.5) cents	(11.5) cents

CONDENSED CONSOLIDATED BALANCE SHEET
At 30th June, 2002

	30th June, 2002 HK\$'000 (Unaudited)	31st December, 2001 HK\$'000 (Audited)
Non-current assets		
Investment properties	15,577,934	15,604,047
Property and other fixed assets	51,679	33,815
Properties under development (<i>Note 11</i>)	1,488,312	1,845,213
Property interests held for future development	71,373	71,373
Rights held under contractual arrangements relating to properties	–	38,889
Goodwill	40,024	–
Negative goodwill	(303,619)	(324,538)
Intangible assets	2,705	–
Interests in associates	1,660,758	1,569,216
Investments in securities	57,947	57,947
Advance to an investee company	143,262	140,837
Other assets	17,775	17,775
Pledged deposits	53,103	22,121
Long-term loan receivable	18,472	–
	<u>18,879,725</u>	<u>19,076,695</u>
Current assets		
Investments in securities	4,609	5,383
Stock of unsold properties	45,000	46,835
Debtors, deposits and prepayments (<i>Note 12</i>)	322,207	310,299
Loans and advances	374,928	81
Current portion of long-term loan receivable	18,472	–
Taxation recoverable	2,306	6,952
Pledged deposits	122,768	147,456
Time deposits, bank balances and cash	784,710	1,252,740
	<u>1,675,000</u>	<u>1,769,746</u>
Current liabilities		
Creditors and accruals (<i>Note 13</i>)	69,606	65,376
Deposits and receipts in advance	220,083	232,464
Amount due to a minority shareholder	–	230,586
Taxation payable	70,809	65,693
Borrowings – due within one year	1,902,225	1,965,842
Provisions	16,017	16,094
	<u>2,278,740</u>	<u>2,576,055</u>
Net current liabilities	<u>(603,740)</u>	<u>(806,309)</u>
Total assets less current liabilities	<u>18,275,985</u>	<u>18,270,386</u>
Non-current liabilities		
Borrowings – due after one year	2,401,638	2,368,993
Amounts due to associates	19,917	13,119
Amounts due to minority shareholders	425,526	464,686
	<u>2,847,081</u>	<u>2,846,798</u>
Minority interests	<u>(89,395)</u>	<u>(262,574)</u>
	<u>15,518,299</u>	<u>15,686,162</u>
Capital and reserves		
Share capital	238,254	238,254
Reserves	15,280,045	15,447,908
	<u>15,518,299</u>	<u>15,686,162</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30th June, 2002

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Hotel property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st January, 2001	238,148	2,411,075	2,499,685	8,169,606	18,906	61,364	2,745,055	16,143,839
Share of associates' reserves movements during the period	-	-	-	772	-	-	-	772
Net gain not recognised in the consolidated income statement	-	-	-	772	-	-	-	772
Exchange adjustments	-	-	-	-	-	-	343	343
Surplus realised on disposal	-	-	-	(6,037)	-	-	-	(6,037)
Loss for the period	-	-	-	-	-	-	(273,274)	(273,274)
At 1st July, 2001	238,148	2,411,075	2,499,685	8,164,341	18,906	61,364	2,472,124	15,865,643
Revaluation surplus	-	-	-	49,489	-	-	-	49,489
Share of revaluation reserve by minority interest	-	-	-	(104)	-	-	-	(104)
Share of associates' reserves movements during the period	-	-	-	(4,169)	-	-	-	(4,169)
Net gain not recognised in the consolidated income statement	-	-	-	45,216	-	-	-	45,216
Exchange adjustments	-	-	-	-	-	-	219	219
New issue	106	-	-	-	-	-	-	106
Share issue on privatisation of Evergo China Holdings Limited	-	765	-	-	-	-	-	765
Deficit realised on disposal	-	-	-	36,736	-	-	-	36,736
Loss for the period	-	-	-	-	-	-	(262,523)	(262,523)
At 31st December, 2001	238,254	2,411,840	2,499,685	8,246,293	18,906	61,364	2,209,820	15,686,162
Exchange adjustments	-	-	-	-	-	-	(460)	(460)
Deficit realised on disposal	-	-	-	10,401	-	-	-	10,401
Loss for the period	-	-	-	-	-	-	(177,804)	(177,804)
At 30th June, 2002	<u>238,254</u>	<u>2,411,840</u>	<u>2,499,685</u>	<u>8,256,694</u>	<u>18,906</u>	<u>61,364</u>	<u>2,031,556</u>	<u>15,518,299</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30th June, 2002

	Six months ended 30th June, 2002	2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (outflow) inflow from operating activities	(212,410)	99,650
Net cash outflow from investing activities	(183,745)	(249,546)
Net cash (outflow) inflow from financing activities	(71,415)	411,765
(Decrease) increase in cash and cash equivalents	(467,570)	261,869
Cash and cash equivalents at beginning of the period	1,252,740	622,215
Effect of foreign exchange rate changes	(460)	2,248
Cash and cash equivalents at end of the period	<u>784,710</u>	<u>886,332</u>
Analysis of cash and cash equivalents		
Time deposits, bank balances and cash	<u>784,710</u>	<u>886,332</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2002

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting".

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2001, except as described below:

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. The adoption of these Standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash Flow Statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

3. Segment information

Business segments

For the six months ended 30th June 2002

	Property leasing <i>HK\$'000</i>	Property development and trading <i>HK\$'000</i>	Securities investment, investment holding and brokerage <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>337,158</u>	<u>1,872</u>	<u>45,351</u>	<u>10,650</u>	<u>395,031</u>
Segment results	<u>321,071</u>	<u>(355,206)</u>	<u>14,574</u>	<u>10,650</u>	(8,911)
Loss on disposal of investment properties					(14,211)
Unallocated operating expenses					<u>(65,961)</u>
Loss from operations					<u>(89,083)</u>

3. Segment information (cont'd)

Business segments (cont'd)

For the six months ended 30th June, 2001

	Property leasing <i>HK\$'000</i>	Property development and trading <i>HK\$'000</i>	Securities investment, investment holding and brokerage <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>317,006</u>	<u>–</u>	<u>5,820</u>	<u>9,485</u>	<u>332,311</u>
Segment results	<u>298,161</u>	<u>(279,952)</u>	<u>11,415</u>	<u>9,485</u>	39,109
Profit on disposal of investment properties					5,947
Unallocated operating expenses					<u>(45,524)</u>
Loss from operations					<u>(468)</u>

Geographical segments

Substantially all of the activities of the Group during the periods were carried out in Hong Kong. Accordingly, a geographical analysis is not included.

4. Staff expenses and depreciation

	Six months ended 30th June,	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Staff expenses including Directors' emoluments		
Administrative expenses	41,529	41,661
Others	<u>1,718</u>	<u>2,731</u>
	<u>43,247</u>	<u>44,392</u>
Depreciation		
Administrative expenses	4,867	7,412
Others	<u>–</u>	<u>120</u>
	<u>4,867</u>	<u>7,532</u>

5. Other revenue

	Six months ended 30th June,	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Included in other revenue are:		
Amortisation of negative goodwill	5,526	–
Interest income	8,183	19,125
Net management fee income	7,276	1,169
Written back of provisions no longer required	<u>6,414</u>	<u>10,663</u>

6. Other operating expenses

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Included in other operating expenses are:		
Amortisation of goodwill	4,447	–
Amount written down in respect of stock of unsold properties	<u>–</u>	<u>2,197</u>

7. Other losses

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Loss on disposal of listed shares and warrants in Chi Cheung Investment Company, Limited to comply with the Listing Rules requirements	–	15,103
Impairment loss recognised in respect of goodwill arising on acquisition of additional interest in a subsidiary	<u>–</u>	<u>4,469</u>
	<u>–</u>	<u>19,572</u>

8. Impairment loss recognised in respect of advances to associates

Included in impairment loss recognised in respect of advances to associates is an impairment loss recognised on a development project of Sha Ha, Sai Kung of HK\$12,987,000, upon an internal review of the development value of the project.

9. Taxation

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
The (charge) credit comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	(12,576)	(9,452)
Other jurisdictions	(1,238)	–
Associates		
Hong Kong Profits Tax	(555)	11,577
Other jurisdictions	<u>(10)</u>	<u>(1,621)</u>
	<u>(14,379)</u>	<u>504</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits of the individual companies comprising the Group for the period. Taxation on profits of subsidiaries and associates in other jurisdictions has been provided for in accordance with the relevant local law.

A deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will realise in the foreseeable future.

No deferred tax is provided on the revaluation surplus arising on valuation of investment properties as future profits arising on the disposal of these assets would not be subject to tax. The revaluation therefore does not constitute a timing difference for tax purposes.

10. Loss per share

The calculation of the basic loss per share is based on the loss attributable to shareholders for the period of HK\$177,804,000 (period ended 30th June, 2001: HK\$273,274,000) and on the weighted average number of 2,382,544,134 (period ended 30th June, 2001: 2,381,481,464) ordinary shares in issue throughout the period.

11. Properties under development

The carrying amount of properties under development is reduced to their recoverable amounts which is determined by reference to the market selling price of similar properties net of estimated cost to complete. Accordingly, an impairment loss of HK\$355,771,000 (period ended 30th June, 2001: HK\$277,755,000) has been recognised in the current period.

12. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors of HK\$38,379,000 (at 31st December, 2001: HK\$41,355,000) comprising mainly of rental receivables which are billed in advance and settlements are expected upon receipts of billings.

The following is an aged analysis of trade debtors at the reporting date:

	30th June, 2002	31st December, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	9,331	6,670
31 – 60 days	5,319	3,933
61 – 90 days	3,004	2,443
Over 90 days	20,725	28,309
	<u>38,379</u>	<u>41,355</u>

13. Creditors and accruals

Included in creditors and accruals are trade creditors of HK\$1,372,000 (at 31st December, 2001: HK\$2,870,000).

The following is an aged analysis of trade creditors at the reporting date:

	30th June, 2002	31st December, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	1,360	2,817
Over 90 days	12	53
	<u>1,372</u>	<u>2,870</u>

14. Post balance sheet event

On 2nd August, 2002, the Group has disposed certain portion of Golden Hall Building, Yuen Long, Hong Kong and a number of floors at Chung Kiu Godown Building, Kwai Chung, Hong Kong at a total consideration of HK\$150.1 million.

15. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended	
	30th June,	
	2002	2001
	HK\$'000	HK\$'000
Income received from associates		
Office rental	250	296
Building management fee	–	98
Interest income	2,980	6,410
Management fee	1,217	–
Rental expenses paid to an associate	5	–
Interest paid to a private company under a discretionary trust in which certain family members of a Director has beneficial interest	–	1,509
Interest paid to a private company controlled by a Director	–	168
Income received from a private company controlled by a Director		
Office rental	20,144	682
Building management fee	–	166
	<u> </u>	<u> </u>

Office rental and building management fee were determined on terms similar to those applicable to transactions with unrelated parties.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2002 (six months ended 30th June, 2001: Nil).

FINANCIAL OPERATION REVIEW

Turnover for the period ended 30th June, 2002 (the “Period”) amounted to HK\$395.0 million, a 18.9% increase from the previous period. It was mainly due to the increase in rental income and income derived from securities investment and brokerage. Gross profit for the Period amounted to HK\$345.5 million, a 10.2% increase as compared with the same period last year. Loss for the Period was HK\$177.8 million as compared to a loss of HK\$273.3 million for the same period last year. Upon an internal review of the development value of the projects, an impairment loss of HK\$355.8 million (period ended 30th June, 2001: HK\$277.8 million) recognised in respect of properties under development located at Tai Yuen Street/Wan Chai Road, 31 Barker Road, 145-151A Kau Pui Lung Road and 55 Conduit Road. Further an impairment loss of HK\$13.0 million (period ended 30th June, 2001: HK\$137.8 million) was made for a development project held through an associate. Loss per share was 7.5 cents (period ended 30th June, 2001: 11.5 cents).

Net Asset Value

As at 30th June, 2002, the Group’s total net asset amounted to approximately HK\$15,518 million (31st December, 2001: HK\$15,686 million), a decrease of HK\$168 million or 1.1% when compared with 31st December, 2001. With the total number of ordinary shares in issue of 2,382,544,134 as at 30th June, 2002, the net asset value per share was HK\$6.5 (31st December, 2001: HK\$6.6).

Equity

The number of issued ordinary shares as at 30th June, 2002 and 31st December, 2001 was 2,382,544,134.

Debt and Gearing

As at 30th June, 2002, the Group’s bank and other borrowings amounted to HK\$4,304 million (31st December, 2001: HK\$4,335 million). Cash and deposit at bank amounted to HK\$961 million (31st December, 2001: HK\$1,422 million) and net borrowings amounted to HK\$3,343 million (31st December, 2001: HK\$2,913 million).

Total debt to equity ratio was 27.7% (31st December, 2001: 27.6%) and net debt to equity ratio was 21.5% (31st December, 2001: 18.6%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net asset of HK\$15,518 million (31st December, 2001: HK\$15,686 million). The increase of the net debt to equity ratio was mainly due to the decrease in cash and deposit at bank.

At the balance sheet date, all of the Group’s bank and other borrowings are denominated in Hong Kong Dollars. Of the Group’s total bank and other borrowings of HK\$4,304 million, 44.2%, 10.3%, 37.1% and 8.4% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. Among the Groups’ borrowings, HK\$1,662 million are either carried at fixed interest rate or carried at floating rate with hedging through interest rate swap. The remaining Group’s bank borrowings carry interest rates mainly calculated with reference to HIBOR.

The majority of the Group’s income were denominated in Hong Kong Dollars, RMB net income was minimal. No hedging for non-Hong Kong Dollars assets or investment was made.

Pledge of Assets

As at 30th June, 2002, the Group's investment properties and time deposits with their respective book value of approximately HK\$14,641.3 million (31st December, 2001: HK\$14,674.6 million) and HK\$175.9 million (31st December, 2001: HK\$169.6 million) were pledged to secure general banking facilities of the Group.

Further there were contingent liabilities of the Group in respect of guarantees given to banks and financial institutions for general banking facilities made available to associates and investee company of HK\$662.1 million (31st December, 2001: HK\$400.4 million).

Financial and Interest Income/Expenses

Finance costs included interest expenses on bank and other loans, arrangement and commitment fee. Interest income for the Period was HK\$18.8 million, representing a decrease of 34.3% from that of 30th June, 2001 (HK\$28.6 million). A decrease of interest income was mainly attributable to decrease on interest generated from bank deposits. Interest expenses for the Period amounted to HK\$110.9 million, representing a 26.3% decrease over interest expenses of HK\$150.5 million recorded for last period.

Remuneration Policies and Share Option Scheme

During the period under review, the Group employed a total of 220 (period ended 30th June, 2001: 231) staff (excluding about a total of 167 (period ended 30th June, 2001: 241) estate management staff employed under the Group's estate management company, Perfect World Company Limited). Remuneration packages comprised salary and year-end bonuses based on individual merits. No share option scheme was adopted for the Period.

The Kwong Sang Hong International Limited

During the Period, the Group had an effective interest of 34.36% in the listed shares of The Kwong Sang Hong International Limited ("Kwong Sang Hong").

Kwong Sang Hong had total asset and net asset of HK\$1,931.9 million and HK\$1,641.8 million respectively at 31st May, 2002.

BUSINESS REVIEW

Despite a decline in retail expenditure and sales volume, gross rental income of the Group increased by 6.4% over the corresponding period last year to HK\$337.2 million. The increase was attributable to the additional retail space acquired at the Excelsior Plaza in March 2001 and the direct rental income derived from the PRC investment property portfolio recorded following the privatisation of Evergo China Holdings Limited, a previously listed vehicle of the Group's PRC properties, in late 2001.

Hong Kong Investment Properties

In total, the Group holds approximately 750,000 square feet of retail space. Occupancy levels remained high and rental levels were generally maintained.

The Group's retail properties, located mainly in prime shopping areas, namely Causeway Bay, Wanchai, Tsim Sha Tsui and Mong Kok, continued to be one of the main sources of income to the Group. The Group will continue to enhance the retail portfolio by proactive management and further strengthening of the tenant mix through introduction of new themes and refurbishment where appropriate.

Demand for office space remained weak. Whilst the Group has been able to secure the renewals of the majority of its existing tenants, the rental rate was under downward pressure. As a result, the overall occupancy levels of the Group's office portfolio has dipped slightly in recent months. Harcourt House recorded an encouraging increment in its occupancy level to 97% from 91% over last year. Windsor House managed to maintain its occupancy rate at about 96%. MassMutual Tower, however, experienced a decline in occupancy rate to 84% this year.

Sale activities for the Group's non-core investment properties remained low. For the period under review, the Group contracted to dispose of its Yuen Long New Place and certain floors of Chung Kiu Godown Building, and the sale was completed in August 2002. The Group intends to continue to dispose its non-core investment properties when suitable opportunity arises.

Hong Kong Development Properties

In general, progress of the Group's seven major development projects have been satisfactory and as scheduled.

For the Group's 84% attributable interest in the joint-venture redevelopment project with the Urban Renewal Authority at Tai Yuen Street/Wan Chai Road, foundation works for Phase I commenced in May 2002 and is scheduled for completion in mid 2003. An appeal on the first premium offer was submitted and negotiation with the Government is in progress. Phase I's 3 high-rise residential towers with about 600 residential units of around 510,000 square feet gross floor area is anticipated to be completed in mid 2005.

Superstructure construction for the development of around 107,600 square feet residential space at Shiu Fai Terrace, Stubbs Road (50% interest) commenced in May 2002 and is scheduled for completion in mid 2003.

The planning application for minor relaxation of the site coverage and number of domestic storeys for the development of 87,780 square feet of residential space at 55 Conduit Road (70% interest) was approved by the Town Planning Board in August 2002.

Superstructure works for the development of approximately 13,600 square feet 4 luxury houses at 31 Barker Road at The Peak (100% interest) commenced in March 2002. Completion of the project is scheduled in the first quarter of 2003.

Foundation and substructure works for the development at Kau Pui Lung Road (100% interest) was completed in July 2002 as scheduled. Superstructure works has just commenced and the project is scheduled for completion in late 2003.

Site formation and foundation works for the development of 904,000 square feet residential space at King's Park, Kowloon (10% interest) are in progress and the whole development is scheduled for completion in 2004.

In March 2002, the Group participated with an interest of 33.33% in a consortium which acquired a site for development of around 301,100 square feet of residential space at the junction of Cornwall Street and Tat Chee Avenue. The proposed development consists of 6 medium-rise residential towers with about 288 high end residential units and 19 luxury villas, and currently is at the design stage and is scheduled for completion in 2005.

It is the intention of the Group to further expand its development portfolio with the right return by acquiring quality and suitable sites for development in Hong Kong.

PRC Properties

The Hong Kong New World Tower, Shanghai (34.65% interest) comprising approximately 1,470,000 square feet of office and retail space is scheduled for completion by late 2002. Leasing activities are in progress and market response has been encouraging.

The Hilton Hotel, Beijing (50% interest) maintained an average occupancy rate of 76% and recorded a gross operating profit of HK\$15.3 million for the period under review. Approval for a change of use and an increase in floor area for the adjoining multi-functional complex has been obtained. The complex is proposed to be redeveloped into an office building with ancillary hotel facilities. The Oriental Place (50% interest), the 10-storey office building next to Hilton Beijing, is fully let at present.

The Winson Plaza, Tianjin (50% interest) comprises a 26-storey residential tower and a 29-storey office tower with a total gross floor area of approximately 600,000 square feet. Currently, the unsold units were 88% let while sales continue.

The joint venture company for which the Group has a 33.33% interest had evaluated and concluded that the project for re-development of the Lot E of Huangsha Station in Guangzhou was unfavourable for further development, and had arranged for termination of the project. The Group has received its respective share of compensation from the PRC investment partner for such termination.

The Lowu Commercial Plaza, Shenzhen (100% interest), comprising 79 retail outlets with approximately 29,000 square feet, was fully let as of August 2002.

PROSPECTS

The mixed economic indicators of the US economy released at the end of the second quarter of 2002 have cast further uncertainty over the global and local economic recovery for the remainder of the year. With the weak local economy, high unemployment rate and the decline in personal wealth, property values are unlikely to turnaround in the next few months.

Although the property outlook remains gloomy, property prices and rentals have stabilized, in particular office rentals, which declined sharply towards the end of 2001. Barring unforeseen circumstances, further drastic declines from these levels are believed to be unlikely. Most of the investment properties held by the Group are in prime or preferred areas. This, together with the Group's proactive and aggressive leasing strategy and management, which have been proven successful, cause the Group to be confident that it will maintain its performance for the remainder of the year.

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

As at 30th June, 2002, the interests of the Directors of the Company in the equity and debt securities of the Company and its associated corporations as recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

I. The Company

Name of Director	Number of shares
Mr. Joseph Lau, Luen-hung	
– Personal interests	410,061,668
– Other interests	<u>1,000,000,000</u> (note a)
Total	<u><u>1,410,061,668</u></u>
Mr. Thomas Lau, Luen-hung	
– Corporate interests	11,508,000 (note c)
– Other interests	<u>206,379,187</u> (note b)
Total	<u><u>217,887,187</u></u> (note c)

Notes:

- The 1,000,000,000 shares were indirectly owned by a discretionary trust of which certain family members of Mr. Joseph Lau, Luen-hung were eligible beneficiaries.
- The 206,379,187 shares were indirectly owned by another discretionary trust of which certain family members of Mr. Thomas Lau, Luen-hung were eligible beneficiaries.
- Pursuant to the amendment notice dated 9th September, 2002 (which was received after the date of this report but before the latest practicable date of the printing of this report) reporting a typographical error to the Stock Exchange and the Company, the corporate interest of Mr. Thomas Lau, Luen-hung in the Company previously reported in the disclosure notice dated 9th October, 2001 to the Stock Exchange and the Company should read "11,508,000" instead of "11,058,000" and the then corresponding figure for the total interests should read "217,887,187" instead of "217,437,187".

II. Associated Corporations of the Company

Name of Associated Corporation	Name of Director	Number of shares	Units of warrants
1. Chi Cheung Investment Company, Limited ("Chi Cheung")	Mr. Joseph Lau, Luen-hung – Corporate interests	2,159,475,904 (note a)	383,527,348 (note b)
2. The Kwong Sang Hong International Limited ("Kwong Sang Hong")	Mr. Joseph Lau, Luen-hung – Corporate interests	586,672,047 (note a)	N/A

Notes:

- a. Mr. Joseph Lau, Luen-hung by virtue of his 59.18% interest in the share capital of the Company as disclosed in paragraph I above, was deemed to be interested in the shares of Kwong Sang Hong and securities of Chi Cheung.
- b. Holders of every unit of the warrants were entitled to subscribe for one fully-paid share of Chi Cheung at HK\$0.10 each during the period from 21st November, 2000 to 20th November, 2003.

Save as disclosed herein, none of the other Directors of the Company had or were deemed under the SDI Ordinance to have any interest in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as at 30th June, 2002 and 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 during the six months ended 30th June, 2002.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 30th June, 2002, so far as are known to the Directors, the following parties (other than a Director of the Company) were recorded in the register kept by the Company under Section 16 of the SDI Ordinance as being directly or indirectly interested in 10% or more of the nominal value of the issued share capital of the Company:

Name of Shareholder	Number of Shares
Global King Ltd.	1,000,000,000 (<i>note</i>)
Credit Suisse Trust Limited as trustee	1,000,000,000 (<i>note</i>)

Note : Credit Suisse Trust Limited as trustee of a family trust was the holding company of Global King Ltd. and therefore was regarded as interested in the same parcel of shares held by Global King Ltd.

These shares were the same parcel of shares referred to in "Other interests" of Mr. Joseph Lau, Luen-hung under "Directors' Interests in the Securities of the Company and Associated Corporations".

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th June, 2002, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

The Audit Committee comprising two Independent Non-Executive Directors of the Company has reviewed the details of the interim report for the six months ended 30th June, 2002.

Except that the Independent Non-Executive Directors are not appointed for any specific terms as they are subject to retirement by rotation in accordance with Bye-law 111 of the Company's Bye-laws, none of the Directors of the Company 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 June, 2002 in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

APPRECIATION

We take this opportunity to thank our shareholders, fellow directors and staff for their dedication and support.

On behalf of the Board
Thomas Lau, Luen-hung
Chairman

Hong Kong, 6th September, 2002