

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the period (2000: Nil).

BUSINESS REVIEW

The Group recorded a turnover of HK\$66.8 million for the six months ended 31st May, 2001, representing a growth of 38.4% over the same period last year. This was largely attributable to the increase in sales of trading properties. Gross profit amounted to HK\$10.7 million, a 24.6% decrease as compared with the same period last year. Profits margins for the sales of residential properties continued to be under pressure because of the difficult and competitive market conditions in the past two years.

Loss from operations for the six months ended 31st May, 2001 amounted to HK\$46.5 million as compared to a profit of HK\$10.8 million for the same period last year. The turnaround was mainly attributable to an impairment loss on a development project in Hong Kong of approximately HK\$44.3 million.

The gain from investment for the six months ended 31st May, 2001 amounted to HK\$12.7 million as compared to a loss of HK\$1.1 million for the same period last year. This was mainly attributable to the upward adjustment in the market price of the Group's listed share investment in Evergo China and interest income derived from purchase of Tax Reserve Certificate.

NET ASSET VALUE

As at 31st May, 2001, the Group's total net assets amounted to HK\$1,702.6 million, a decline of HK\$10.4 million or 0.6% as compared with the value of HK\$1,713.0 million as at 30th November, 2000. Total net asset value per share was HK\$1.77 (30th November, 2000: HK\$1.78).

DEBT AND GEARING

As at 31st May, 2001, the Group's bank and other borrowings were HK\$223.0 million (30th November, 2000: HK\$318.3 million), in which HK\$183.0 million was payable within one year and HK\$40.0 million was payable after one year. HK\$120.6 million of the borrowings was secured while the remaining HK\$102.4 million was unsecured. Cash and bank balance amounted to HK\$93.2 million (30th November, 2000: HK\$130.9 million) and net borrowings amounted to HK\$129.8 million (30th November, 2000: HK\$187.4 million).

Total debt to equity ratio was 13.1% (30th November, 2000: 18.6%) and net debt to equity ratio was 7.6% (30th November, 2000: 10.9%), which are expressed as a percentage of bank and other borrowings, and net borrowings respectively, over the total net assets of HK\$1,702.6 million (30th November, 2000: HK\$1,713.0 million). The decrease of these ratios was mainly due to the repayments of bank and other borrowings from proceeds of property trading and tax refund from the Inland Revenue Department.

As at 31st May, 2001, the Group's borrowings were wholly denominated in Hong Kong dollars and carried at interest rates calculated with reference to prime rate. The Group did not have any financial instruments used for hedging purpose.

PLEDGE OF ASSETS

As at 31st May, 2001, the Group's investment properties, properties for sale, and properties held for development with an aggregate book value of HK\$636.2 million (30th November, 2000: HK\$627.8 million) were pledged to secure general banking facilities of the Group.

FINANCIAL AND INTEREST INCOME/EXPENSES

Interest income for the six months ended 31st May, 2001 increased by 105.4% to HK\$7.6 million over HK\$3.7 million for the same period last year. It was mainly attributable to the interest income derived from the purchase of Tax Reserve Certificate. Interest capitalised for the six months ended 31st May, 2001 was HK\$13.5 million as compared to HK\$22.7 million for the same period last year. Interest expenses charged to the income statement were increased to HK\$0.7 million from HK\$0.5 million for the same period last year. As a result, net interest income amounted to HK\$6.9 million, an increase of 115.6% as compared with the same period last year.

REMUNERATION POLICIES AND SHARE OPTION SCHEME

Remuneration packages comprised salary and year-end bonuses based on individual merits. Details of share option scheme will be disclosed in the Group's annual report for the year ending 30th November, 2001.

OTHER INVESTMENT

The market value of the Group's other investment in the listed shares of Evergo China at 31st May, 2001 was higher than that at 30th November, 2000, a surplus of HK\$3.1 million was recorded.

POST BALANCE SHEET EVENT

Subsequent to the period under review, the Group disposed of a property project under development, The Golf Estates in Sheung Shui, at a loss of HK\$44.3 million, such impairment loss was included in the income statement in the current period.

PROPERTY

The market sentiment for both office and residential sectors of the property market continued to be under pressure due to the adjustment in global economy and consolidation of the technology sector and stock market prices. As most of the property companies in Hong Kong, the Group has experienced a further period of consolidation in its property activities during the period under review, and the Group's resources were continued to be concentrated on its existing development projects and on the sale and leasing of existing properties.

All the 18 remaining units of The Bellevue Place and the 10 service apartment units of Claymore Lodge were sold during the six months under review. This resulted in a complete disposal of these two residential properties held by the Group. Furthermore, various units of Eight Commercial Tower were sold during and after the period under review. Our Group has an arbitration proceeding with a main contractor in a property development project in Hong Kong and our legal advisers are of the view that we have a good chance of success in this case.

Hong Kong Special Administrative Region

1. Land exchange in respect of the Group's wholly owned redevelopment project at **One Exchange Plaza** in Tsuen Wan is being processed by the Lands Department. It is expected that the basic terms and the premium offer will be received by the third quarter of 2001.
2. Foundation works for the development project at **Tong Yan San Tsuen** in Yuen Long has commenced in March 2001 and is scheduled to be completed by October 2001. Superstructure works will follow afterwards. The Group has a 100% interest in this project.
3. Construction of the superstructure work for the Group's joint-venture project at **11-15 Tin Wan Street** in Aberdeen has been completed and the finishing works has been substantially completed. Pre-sale consent and occupation permit were obtained. Marketing is expected to be launched in the coming month right upon the receipt of certificate of compliance. The Group has a 34.65% interest in this project.
4. For the Group's 25% interest in the joint-venture redevelopment project undertaken with the Urban Renewal Authority (the successor of Land Development Corporation) at **Tai Yuen Street/Wanchai Road**, vacant possession of the site was obtained in October 2000. Demolition work of Phase I has been completed. Foundation works of Phase I is expected to commence in the third quarter of 2001.

Land premium offer issued by The Government of the Hong Kong Special Administrative Region is being considered by the management and the Urban Renewal Authority. Together with the joint venture partners, the Group is reviewing the whole project and negotiating with the Urban Renewal Authority for further enhancement of the redevelopment.

Mainland China

1. The leasing of the Group's **Peregrine Plaza** in Shanghai continued to attain good performance. As at June 2001, 97% of the office space and 90% of the shopping arcade were let out. In December 2000, the Group had increased its percentage of beneficial interest in Peregrine Plaza from 70% to 90.3% so as to increase its participation for a stable and recurring income generated from this prime property investment. Peregrine Plaza is a 23-storey commercial/office building with two basement levels and comprising shopping arcade and car parking spaces. The property comprises a total lettable gross floor area of 24,499 sq. m.
2. **Palace Apartment** in Beijing comprises two 20-storey residential towers erecting on a two-level commercial podium with a total gross floor area of approximately 46,400 sq.m. As of July 2001, 83% of the apartment units and 65% of the retail space have been sold. The Group has a 17.63% interest in the property.
3. The legal dispute arising from the investment in **Shuohu Court, Wuhan** was adjudicated by the Supreme People's Court of the PRC in May 1998, and the appeal against the judgement has been going on since then. As of today, the Supreme People's Procuratorate of the PRC has not yet completed its review on the case. The Supreme People's Court of the PRC has accepted the Group's application for a retrial of the case and the examination is in progress.

Asian Region

The offices and service apartments in **Menara Genesis** in Kuala Lumpur, Malaysia and **Somerset Chancellor Court** in Ho Chi Minh City, Vietnam were satisfactorily let out. The Group has a 20% interest and a 13.4% interest respectively in these two properties.

COSMETICS

Despite some signs of a retail recovery in the last quarter of 2000, demand for consumer goods sector remained weak for the six months under review. The overall turnover of the Group's cosmetic business decreased mainly because of a drop in local wholesale which was influenced by the warm seasonal temperature in last winter. Whereas, sales from other distribution outlets such as Watson's, Park'n Shop and department stores were able to record a steady performance in spite of a highly competitive market environment.

In April 2001, a new retail outlet in nostalgic design was opened in Causeway Bay on Hong Kong Island so as to promote the image of “Two Girls” brand and as a front-line for obtaining direct market response from consumers for their changing needs so as to feel the pulse of the market trend. Some new products are under developing and testing to enhance the brand loyalty of our customers and to appeal to more tourists' taste.