

## **INTERIM DIVIDEND**

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The Board has resolved not to declare any interim dividend for the period (2001: Nil).

## **BUSINESS REVIEW**

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Turnover for the six months ended 31st May, 2002, which was derived from cosmetic trading, property rental and property trading, amounted to HK\$24.9 million, representing a decrease of 62.7% as compared with the same period last year. The sales of cosmetic trading recorded HK\$3.1 million for the six months ended 31st May, 2002, representing a 55.0% increase as compared with the same period last year. The increase in sales was mainly attributable to the growth of export sales and opening of a new retail outlet in Causeway Place. Gross rental income for the six months ended 31st May, 2002 amounted to HK\$13.8 million and was generated mainly from Peregrine Plaza, Shanghai, Star House and Hing Wai Centre. In addition, the sale progress of the remaining units in Tin Wan Court was satisfactory and recorded sales proceeds of HK\$8.1 million. Gross profit recorded HK\$9.3 million and decreased by 13.1% as compared with the same period last year.

The Group recorded HK\$1.6 million profit from operations for the six months ended 31st May, 2002 as compared to a loss of HK\$47.5 million for the same period last year. The turnaround was mainly attributable to an impairment loss of approximately HK\$44.3 million recognised in respect of a property development project in Hong Kong for the same period last year. Other revenue for the six months ended 31st May, 2002 increased by HK\$3.8 million and reached HK\$5.1 million. This was mainly attributable to the recognition of income from forfeiture of sales deposits from the default purchasers of The Bellevue Place during the period.

Investment income, which mainly comprised dividend income, interest income and profit from investments in securities, decreased by HK\$9.8 million to HK\$3.9 million for the six months ended 31st May, 2002. This was mainly attributable to the upward adjustment in the market price of listed securities held and sold in November 2001, as well as interest income derived from purchase of Tax Reserve Certificate recorded in the same period last year.

### *NET ASSET VALUE*

The Group's total net assets as at 31st May, 2002 decreased slightly to HK\$1,641.8 million as compared with the value of HK\$1,643.3 million as at 30th November, 2001. Total net asset value per share was HK\$1.71 (30th November, 2001: HK\$1.71).

## *DEBT AND GEARING*

As at 31st May, 2002, the Group's bank and other borrowings dropped by HK\$48.4 million to HK\$35.2 million (30th November, 2001: HK\$83.6 million), of which HK\$18.1 million was payable within one year and HK\$17.1 million was payable after one year. Out of the borrowings, HK\$34.1 million was secured, while the remaining HK\$1.1 million was unsecured. Bank balances and cash amounted to HK\$40.7 million (30th November, 2001: HK\$83.9 million), resulting in a net cash position of HK\$5.5 million (30th November, 2001: HK\$0.3 million).

Total debt to equity ratio was 2.1% (30th November, 2001: 5.1%), which is expressed as a percentage of bank and other borrowings over the total net assets of HK\$1,641.8 million (30th November, 2001: HK\$1,643.3 million). The decrease in debt and gearing was mainly due to repayment of bank loans from the Group's internal resources.

As at 31st May, 2002, the Group's borrowings were wholly denominated in Hong Kong dollars and carried at interest rates calculated with reference to prime rate. The majority of the Group's income were denominated in Hong Kong Dollars and United States Dollars, RMB net income was minimal. The Group did not have any financial instruments used for hedging purpose.

## *PLEDGE OF ASSETS*

As at 31st May, 2002, the Group's investment properties with an aggregate book value of HK\$137.8 million (30th November, 2001: properties under development and investment properties of HK\$640.2 million) were pledged to secure general banking facilities of the Group. The contingent liabilities of the Group in respect of guarantees given to banks and financial institutions for general facilities made available to an associate and investee company as at 31st May, 2002 were HK\$64.5 million (30th November, 2001: HK\$66.0 million).

## *FINANCIAL AND INTEREST INCOME / EXPENSES*

Interest income for the six months ended 31st May, 2002 decreased to HK\$1.5 million as compared to HK\$7.6 million for the same period last year. It was mainly attributable to the repayment of mortgage loan during the period under review. Last year, it included HK\$3.7 million interest income derived from the purchase of Tax Reserve Certificate. Interest capitalised for the six months ended 31st May, 2002 was HK\$0.4 million as compared to HK\$13.5 million for the same period last year. Interest expenses charged to the income statement increased by 14.3% to HK\$0.8 million over the same period last year. The Group accordingly recorded a net interest income in the amount of HK\$0.7 million for the six months ended 31st May, 2002.

## *REMUNERATION POLICIES AND SHARE OPTION SCHEME*

During the period under review, the Group employed a total of 22 staff. Remuneration packages comprised salary and year-end bonuses based on individual merits. Details of the share option scheme will be disclosed in the Group's annual report for the year ending 30th November, 2002.

## *PROPERTY*

Hong Kong

Hong Kong is still experiencing economic downturn and the property market remained subdued during the period under review. However, the Group managed to maintain a steady rental income. A moderate increase in rental income was recorded from Hing Wai Centre. This was mainly attributable to the successful implementation of more proactive and flexible marketing strategies for absorbing new tenants and securing existing tenants for renewal. The sale of the remaining units of Tin Wan Court was satisfactory, recording a disposal of 7 out of 22 remaining units.

The superstructure works for the wholly owned development project at **Tong Yan San Tsuen** in Yuen Long commenced in December 2001. In general, the site progress was satisfactory and the occupation permit is targeted to be obtained by the end of 2002, upon which marketing will be launched.

The premium for the land exchange of the Group's wholly owned redevelopment project at **One Exchange Plaza** in Tsuen Wan has been agreed with the Lands Department in June 2002. Foundation works is targeted to commence in the third quarter of 2002.

As for the redevelopment project undertaken with the Urban Renewal Authority at **Tai Yuen Street/Wanchai Road**, in which the Group holds a 25% interest in the joint venture, foundation works for phase 1 commenced in May 2002 and is targeted to complete in the second quarter of 2003. An appeal on the first premium offer has been lodged and negotiation with the Lands Department is actively on-going.

Mainland China

**Peregrine Plaza** (90.3% interest) in Shanghai continued to generate stable and recurrent income to the Group. This 23-storey office/shopping complex comprises 15,330 square metres of gross floor area for office space, 6,815 square metres of gross floor area for retail space and 72 car parking spaces. Of the total gross floor area, 313 square metres of office space have been disposed. As of July 2002, the occupancy rate of both the offices and retail space was about 90%.

For the legal dispute arising from the investment in **Shuohu Court** (75% interest) in Wuhan, the Company rejected the judgment made on 28th May, 1998 by the Supreme People's Court of the PRC and lodged an appeal for retrial. The Company's appeal was approved and accepted in March 2002 and the retrial took place in May 2002. At present, the Company is awaiting the Court's judgment on the retrial.

The unsold properties of **Palace Apartment** (17.63% interest) in Beijing had been allocated to the shareholders in proportion to their shareholdings. The Group was allocated with 7 residential units with a gross floor area of approximately 1,676 square metres and 7 car parking spaces. During the period under review, all these residential units were sold and most of the car parking spaces were let out.

Asian Region

Somerset Chancellor Court (13.4% interest) in Ho Chi Minh City, being offices and serviced apartments, was satisfactory let out.

*COSMETICS*

In spite of an overall decline in consumer demand in the six months under review, a healthy growth was recorded with the total sales turnover increased by 55.0% over that of 2001. Favorable sales figures were mainly contributed by the export sales, particularly from established market distribution in Singapore and Malaysia with direct selling sector instead of via export agent in Hong Kong.

The retail shop continued to perform satisfactorily. Two traditional lines' introductions together with the repackaging of the Company's famous products like Florida Water and Living Rose Face Cream will be launched in the third quarter of 2002 with media advertising and print campaign. The Group will continue to explore opportunities to broaden its distribution in U.S.A., Europe and Australia by participating trade fairs and appropriate event overseas.