

OXFORD PROPERTIES & FINANCE LIMITED

(Incorporated in Hong Kong with limited liability)

2002/03 INTERIM REPORT

The board of directors of Oxford Properties & Finance Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31st July, 2002.

The profit attributable to shareholders for the six months ended 31st July, 2002 decreased by approximately 16% to HK\$16,629,000 compared with HK\$19,746,000 for the corresponding six months ended 31st July, 2001.

Earnings per share for the period were HK25 cents, a decrease of approximately 14% over earnings per share for the corresponding period in 2001 of HK29 cents. The basis of calculation of the earnings per share is detailed in note 10 below.

The directors have declared the payment of an interim dividend of HK8 cents (2001: HK10 cents) per share to shareholders on record as at 15th November, 2002. The interim dividend will be payable on 12th December, 2002.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31ST JULY, 2002

		Six months ended 31st July,	
	Notes	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Turnover	3	34,592	38,673
Cost of rental operations		(5,922)	(8,727)
		<u>28,670</u>	<u>29,946</u>
Other revenue	4	681	2,198
Administrative expenses		(3,808)	(4,108)
Other operating expenses	6	(2,567)	–
		<u>22,976</u>	<u>28,036</u>
Profit from operations		22,976	28,036
Finance costs	7	(2,515)	(4,769)
Share of results of associates		(152)	188
		<u>20,309</u>	<u>23,455</u>
Profit before taxation		20,309	23,455
Taxation	8	(2,361)	(2,320)
		<u>17,948</u>	<u>21,135</u>
Profit before minority interests		17,948	21,135
Minority interests		(1,319)	(1,389)
		<u>16,629</u>	<u>19,746</u>
Net profit for the period		16,629	19,746
Dividend (Interim)	9	5,421	6,776
		<u>HK Cents</u>	<u>HK Cents</u>
Earnings per share	10		
Basic		<u>25</u>	<u>29</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated income statement is extracted from the condensed consolidated financial statements which have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements for the current period are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st January, 2002 except that the Group has adopted certain new/revised SSAPs which have become effective for the current accounting period. The adoption of these new/revised SSAPs does not have any significant impact on the operating results for the current period and the comparative prior period. Detailed changes in the Group’s accounting policies and the related effects on the Group’s condensed consolidated financial statements are set out in the interim report to shareholders.

3. TURNOVER

The Group’s turnover represents income from letting of properties. More than 90% of the Group’s turnover and profit from operations were derived from letting of properties in Hong Kong.

4. OTHER REVENUE

Included in other revenue is bank interest of HK\$374,000 (2001: HK\$2,037,000).

5. DEPRECIATION

Depreciation charges for the period in respect of the Group’s investment properties and other fixed assets amounted to HK\$8,000 (2001: HK\$8,000) and HK\$133,000 (2001: HK\$79,000) respectively.

6. OTHER OPERATING EXPENSES

Other operating expenses comprise expenses incurred in connection with the proposed rights issue of shares in the Company and legal and financial advisory fees.

7. FINANCE COSTS

Finance costs represent interest on bank and other borrowings wholly repayable within five years.

8. TAXATION

	Six months ended 31st July,	
	2002	2001
	HK\$’000	HK\$’000
Current taxation		
Hong Kong	2,361	2,209
Overseas	–	87
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	2,361	2,296
Share of Hong Kong Profits Tax attributable to associates	–	24
	<hr/>	<hr/>
	<u>2,361</u>	<u>2,320</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profit for the period. Overseas taxation is calculated at the rates prevailing in the jurisdictions in which the Group operates.

9. DIVIDEND

The directors have determined that an interim dividend of HK8 cents (2001: HK10 cents) per ordinary share will be paid to the shareholders of the Company whose names appear in the Register of Members on 15th November, 2002.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of HK\$16,629,000 (2001: HK\$19,746,000) and on 67,760,000 (2001: 67,760,000) ordinary shares in issue during the period.

Diluted earnings per share has not been presented for the current and the prior period because the Company does not have any dilutive potential ordinary shares.

REVIEW OF OPERATIONS

The principal activities of the Group continue to be investment holding, property investment, property development and the provision of property agency services. The Group's activities during the period are substantially based in Hong Kong and more than 90% of the Group's turnover and profit from operations were derived from the lease of properties in Hong Kong.

As the local economy continues to shrink and demand dwindles, office rents fell further in the first half of the year. The turnover from the Group's long term property portfolio decreased by approximately 11% due to further falls in office rentals and soft demand in the property leasing market.

The favourable effect on profits for the period arising from the savings in interest expenses on borrowings were more than offset by the fall in office rentals. In the present sluggish property market, new leases have to be negotiated at prevailing low rentals. With existing leases coming due for renewal, the Group has to offer a moderate reduction of rental or a rent free period to retain existing tenants.

In view of the possibility that plot ratios and height restrictions may be eased in Kowloon Tong area in the next two or three years, the directors have decided to continue to delay the commencement of the Oxford Road, Kowloon Tong project, so as to maximize the benefit to the shareholders.

The Group's major Guam investment property – Aspac Industrial Park Phase I suffered a slight decline in rental income owing to the protracted economic downturn in Guam and Japan. For this reason, the development of Lot No. 5148-3 and 5148-4, Tamuning, Guam will continue to be postponed.

During the period under review, a valuation on the Group's land in Guam, U.S.A., was conducted by a firm of independent property valuers operating in Guam. The valuation has given rise to a surplus of approximately HK\$55 million which, according to the Group's accounting policies, has not been adopted in the interim financial statements.

No material acquisitions or disposals of subsidiaries and associates were transacted during the period.

The Group has a total of 23 (2001: 23) staff. Staff costs incurred during the period amounted to approximately HK\$1,785,000 (2001: HK\$1,733,000).

FINANCIAL ACTIVITIES

Shareholders' funds at 31st July, 2002 amounted to HK\$953 million (31st January, 2002: HK\$951 million). At 31st July, 2002, total borrowings of the Group were HK\$129 million (31st January, 2002: HK\$138 million) which bear interest at floating rates and are substantially repayable in Hong Kong dollars. Bank loans to the extent of HK\$36 million (31st January, 2002: HK\$33 million) were repayable within one year. Accordingly, the Group's gearing ratio at 31st July, 2002 was 13.5% (31st January, 2002: 14.5%). The Group's available undrawn banking facilities at 31st July, 2002 amounted to HK\$63 million (31st January, 2002: HK\$76 million).

At 31st July, 2002, properties of the Group with an aggregate book value of approximately HK\$823 million (31st January, 2002: HK\$823 million) were mortgaged or charged to banks for credit facilities granted to the Group.

At 31st July, 2002, the Company had issued guarantees for banking facilities granted to certain subsidiaries to secure the banking facilities granted to these subsidiaries to the extent of HK\$281 million (31st January, 2002: HK\$281 million) of which approximately HK\$128 million (31st January, 2002: HK\$128 million) was utilized.

PROSPECTS

The property leasing market in Hong Kong is still very soft and the economic situation has not yet improved. Furthermore, if demand does not pick up, it will be very difficult to absorb the significant supply of new office premises. It is to be expected that the market would weaken further next year before a recovery in the first half of 2004. The performance of the second half year may be slightly worse than the first half. The Board of Directors expects that the economy of Guam will still be adversely affected by the U.S. "911" calamity. The recession there is expected to last for a further one or two years.

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

For the six months ended 31st July, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 31st July, 2002, in compliance with Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Audit Committee of the Company has reviewed the unaudited interim report of the Group for the six months ended 31st July, 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 11th November, 2002 to Friday, 15th November, 2002 (both dates inclusive). In order to qualify for the interim dividend, all transfers (accompanied by the relevant share certificates) must be lodged with the Registrars, SUMS LIMITED, 1601 Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on Friday, 8th November, 2002.

PUBLICATION OF RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Rules Governing the Listing Securities on the Stock Exchange will be published on the Stock Exchange's website in due course.

By order of the Board of
Oxford Properties & Finance Limited
司徒澤樺
(*"Seto Chak Wah"*, alias, *"Szeto Chak Wah"*)
Chairman

Hong Kong, 25th October, 2002

Please also refer to the published version of this announcement in The Standard.