

OXFORD PROPERTIES & FINANCE LIMITED

(Incorporated in Hong Kong with limited liability)

2003/04 INTERIM RESULTS

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, 2003.

The profit attributable to shareholders for the six months ended 31st July, 2003 decreased by approximately 22% to HK\$12,516,000 compared with HK\$16,016,000 (as restated) for the corresponding six months ended 31st July, 2002.

Earnings per share for the period were HK18 cents, a decrease of approximately 25% over earnings per share for the corresponding period in 2002 of HK24 cents (as restated). The basis of calculation of the earnings per share is detailed in note 10 below.

In view of the possible privatisation of the Company by Smart Extra Holdings Limited by means of a scheme of arrangement, the directors do not recommend the payment of an interim dividend for the six months ended 31st July 2003 (2002: HK8 cents).

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31ST JULY, 2003

		Six months ended 31st July,	
	Notes	2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited & restated)
Turnover	3	30,223	34,592
Cost of rental operations		(5,755)	(5,922)
		<u>24,468</u>	<u>28,670</u>
Other operating income	4	438	681
Administrative expenses		(5,778)	(3,808)
Other operating expenses	6	(789)	(2,567)
		<u>18,339</u>	<u>22,976</u>
Profit from operations		18,339	22,976
Finance costs	7	(1,623)	(2,515)
Share of results of associates		(62)	(152)
		<u>16,654</u>	<u>20,309</u>
Profit before taxation		16,654	20,309
Taxation	8	(3,067)	(2,978)
		<u>13,587</u>	<u>17,331</u>
Profit before minority interests		13,587	17,331
Minority interests		(1,071)	(1,315)
		<u>12,516</u>	<u>16,016</u>
Net profit for the period		12,516	16,016
Dividend (Interim)	9	–	5,421
		<u>HK Cents</u>	<u>HK Cents</u>
Earnings per share	10		
Basic		<u>18</u>	<u>24</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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st January, 2003, except that in the current period, the Group has adopted SSAP 12 (Revised) “Income Taxes”.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. This new accounting policy has been applied retrospectively. Comparative amounts for the corresponding prior period have been restated accordingly.

The adoption of SSAP 12 (Revised) has resulted in a decrease in the profit of the Group for the six months ended 31st July, 2003 by HK\$611,000 (2002: HK\$613,000).

Details regarding the financial effects of such change in accounting policy are contained in the interim report which will be sent to shareholders.

3. SEGMENT INFORMATION

The businesses based upon which the Group reports its primary segment information are as follows:

Property letting – lease of properties in Hong Kong and Guam, U.S.A.
Land investment – investment in land for long term purposes

Six months ended 31st July, 2003

	Property letting <i>HK\$'000</i>	Land investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment turnover	<u>30,223</u>	<u>–</u>	<u>–</u>	<u>30,223</u>
Segment results	<u>23,930</u>	<u>–</u>	<u>157</u>	<u>24,087</u>
Interest and other income				281
Unallocated corporate expenses				<u>(6,029)</u>
Profit from operations				18,339
Finance costs				(1,623)
Share of results of associates		9	(71)	<u>(62)</u>
Profit before taxation				16,654
Taxation				<u>(3,067)</u>
Profit before minority interests				13,587
Minority interests				<u>(1,071)</u>
Net profit for the period				<u>12,516</u>

Six months ended 31st July, 2002

	Property letting <i>HK\$'000</i>	Land investment <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment turnover	<u>34,592</u>	<u>–</u>	<u>–</u>	<u>34,592</u>
Segment results	<u>28,670</u>	<u>–</u>	<u>148</u>	28,818
Interest and other income				533
Unallocated corporate expenses				<u>(6,375)</u>
Profit from operations				22,976
Finance costs				(2,515)
Share of results of associates		(13)	(139)	<u>(152)</u>
Profit before taxation				20,309
Taxation				<u>(2,978)</u>
Profit before minority interests				17,331
Minority interests				<u>(1,315)</u>
Net profit for the period				<u>16,016</u>

4. OTHER OPERATING INCOME

Included in other operating income is interest on bank deposits of HK\$236,000 (2002: HK\$374,000).

5. DEPRECIATION

Depreciation charges of the Group for the period amounted to a total of HK\$167,000 (2002: HK\$141,000).

6. OTHER OPERATING EXPENSES

Other operating expenses for the period ended 31st July, 2003 comprised expenses incurred in connection with the proposed privatisation of the Company and related legal and financial advisory fees.

Other operating expenses for the period ended 31st July, 2002 comprised expenses incurred in connection with the proposed open offer of new 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,	
	2003 HK\$'000	2002 HK\$'000
Current tax:		
Hong Kong	2,451	2,361
Deferred tax:		
Current year	179	617
Attributable to an increase in tax rate	437	—
	<u>3,067</u>	<u>2,978</u>
Taxation attributable to the Company and its subsidiaries	<u>3,067</u>	<u>2,978</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the period.

During the period, the Hong Kong Profits Tax rate was increased from 16% to 17.5%. The effect of this increase has been accounted for in the financial statements.

9. DIVIDEND

The directors do not recommend the payment of an interim dividend. In respect of the previous period, an interim dividend of HK 8 cents was paid to shareholders.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of HK\$12,516,000 (2002: HK\$16,016,000 (as restated)) and on 67,760,000 (2002: 67,760,000) ordinary shares in issue during the period.

Diluted earnings per share have 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 were 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.

The local economy was severely affected by the impact of SARS during the first half of the year. The turnover from the Group's long term property portfolio decreased by approximately 13% due to further falls in office rentals and soft demand in the property leasing market.

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 lower 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 the Kowloon Tong area in the next few years, the directors have decided to continue to delay the commencement of the Oxford Road, Kowloon Tong project, so as to maximise the benefit to shareholders.

The Group's major Guam, USA investment property, Aspac Industrial Park Phase I, recorded a continuing fall in rental income owing to the protracted economic downturn in Guam, USA and particularly Japan, where most tourists to Guam come from. For this reason, the development of Lot No. 5148-3 and 5148-4, Tamuning, Guam, USA will continue to be postponed.

In connection with the Offer and the Scheme Proposal made by Smart Extra Holdings Limited, the Company's largest shareholder, and in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, special valuations of all of the Company's land and property in Hong Kong and Guam, USA were conducted on 31st July 2003 by independent valuers, namely: Messrs DTZ Debenham Tie Leung Limited and Micronesian Appraisal Associates Inc., respectively. The revaluation of the Group's investment properties gave rise to a net deficit of HK\$85,792,000 which has been charged to reserves.

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

The Group has a total of 25 (2002: 23) staff. Staff costs incurred during the period amounted to approximately HK\$2,653,000 (2002: HK\$1,785,000)

On 1 April 2003, trading in the shares of the Company was suspended as a result of the receipt by the Company of an Offer by Smart Extra Holdings Limited ("Smart Extra") for all of the shares of the Company not already owned by Smart Extra and parties acting in concert with it. The suspension was subsequently lifted and trading in the shares resumed on 8 September 2003.

FINANCIAL ACTIVITIES

Shareholders' funds at 31st July 2003 amounted to HK\$697 million (31st January 2003: HK\$769 million). At 31st July 2003, total borrowings of the group were HK\$118 million (31st January 2003: HK\$120 million) which bear interest at floating rates and are substantially repayable in Hong Kong dollars. Bank loans to the extent of HK\$3 million (31st January 2003: HK\$38 million) were repayable within one year. Accordingly, the Group's gearing ratio at 31st July 2003 was 16.9% (31st January 2003: 15.6%). The Group's available undrawn banking facilities at 31st July 2003 amounted to HK\$63 million (31st January 2003: HK\$63 million).

At 31st July 2003, properties of the Group with an aggregate book value of approximately HK\$587 million (31st January 2003: HK\$659 million) were mortgaged or charged to banks for credit facilities granted to the Group.

At 31st July 2003, 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 2003: HK\$281 million) of which approximately HK\$110 million (31st January 2003: HK\$110 million) was utilised.

PROSPECTS

The property leasing market in Hong Kong remains very soft and the economic situation has yet to show improvement. It is hoped that the stimulus package recently announced by the Hong Kong Government will help to stabilise the property market and lead to renewed confidence during 2004. A return of the SARS outbreak would, however, significantly dampen economic sentiment. The Board of Directors does not see improvement to the economy of Guam in the short term. The recession there is expected to continue for a further few years.

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

For the six months ended 31st July, 2003, 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, 2003, in compliance with Appendix 14 of the Rules Governing the Listing of 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, 2003.

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 of 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
Michael Seto Chak Wah
Chairman

Hong Kong, 22nd October, 2003

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