

GROUP HIGHLIGHTS

| FINANCIAL PERFORMANCE | Half year ended 30th June | |
|--|----------------------------------|--------------|
| | 2002 | 2001 |
| | <i>HK\$m</i> | <i>HK\$m</i> |
| Turnover | 309 | 329 |
| Profit from operations before abnormal items | 162 | 233 |
| Profit (loss) from operations after abnormal items | (269) | 221 |
| Attributable net profit (loss) | (243) | 36 |
| Earnings (loss) per share | (48 cents) | 7 cents |
| Interim dividend per share | – | 6 cents |

| FINANCIAL POSITION | As at | As at |
|---|-----------------------|---------------------------|
| | 30th June 2002 | 31st December 2001 |
| | <i>HK\$m</i> | <i>HK\$m</i> |
| Investment properties | 5,369 | 5,643 |
| Properties under development and for sale | 1,161 | 762 |
| Bank balances and deposits | 606 | 1,395 |
| Total borrowings | 2,977 | 3,822 |
| Shareholders' funds | 2,662 | 2,625 |
| NET ASSET VALUE PER SHARE | HK\$5.21 | HK\$5.13 |

PROPERTY PORTFOLIO

| | New | Australia | Hong Kong | China |
|--|----------------|------------------|------------------|--------------|
| | Zealand | | | |
| Total rental properties owned (number) | 14 | 6 | 2 | 1 |
| Office properties (number) | 10 | 6 | 2 | - |
| Average lease life (years) | 4.2 | 8.5 | 3.0 | 3.0 |
| Occupancy rate (%) | 96 | 91 | 92 | 100 |
| Net lettable area (sqm) | 133,845 | 70,084 | 33,692 | 17,474 |
| Development sites owned (number) | 10 | 2 | 2 | 3 |
| Gross building area when completed (sqm) | Planning | 16,770 | 45,120 | 331,612 |

INTERIM RESULTS AND DIVIDEND

The unaudited net operating results of the Group for the half year ended 30th June, 2002 are set out in the Condensed Consolidated Income Statement of the Interim Report. An abridged summary, highlighting abnormal items, is shown below.

| | Unaudited | |
|---|----------------------------------|-----------|
| | Half year ended 30th June | |
| | 2002 | 2001 |
| | HK\$m | HK\$m |
| Attributable profit before abnormal items | 29 | 42 |
| Less: | | |
| Impairment loss on non-trading securities | (68) | – |
| Loss on disposal of properties | (204) | (6) |
| Attributable net (loss) profit after abnormal items | <u>(243)</u> | <u>36</u> |

In view of the loss recorded for the period, the Board considers it inappropriate to pay an interim dividend.

Despite the above substantial loss, the Group's net tangible assets did not decrease during the first half year as substantial provisions against non-trading securities and sold properties were charged to reserves in 2001 and earlier periods.

Group's operating profit and attributable profit, both before abnormal items, declined 30% year-on-year reflecting lower contributions from our core activities: investment properties, garment trading and interest income.

During the period, 10 investment properties in New Zealand which we believe had limited potential for long-term capital appreciation were sold. Execution of this policy resulted in a property disposal loss.

A lower than expected U.S. economic growth rate coupled with lower interest rates had a significant adverse impact on the results for our garment business and investment activity. Substantial declines in stock markets worldwide over the last 2 years have necessitated a provision for impairment loss on Hong Kong quoted securities held long-term.

The Group's financial position, despite the current period loss, remains stable. We have adequate internal resources and sufficient banking facilities to expand our businesses and complete property developments in progress whilst having cash to invest in new opportunities.

At 30th June, 2002, Group net tangible assets totaled HK\$2,662 million, a small increase over the position at the end of 2001. The improvement rose from the appreciation of the NZ\$ and A\$ against the HK\$ over the period resulting in an increase in value of our New Zealand and Australia net assets upon translation into HK\$. Overall net gearing of property assets was at a comfortable 36% at period end compared with 38% at the end of 2001.

BUSINESS REVIEW

Property Investments and Developments

Hong Kong

Occupancy of the Group's largest single investment asset by value, the Dah Sing Financial Centre, was at 93% at the end of July 2002. This level is similar to if not better than similar grade properties in the Wanchai vicinity. Rents collected were slightly lower compared with last year and should Hongkong's present economic recession continue into 2003, we should expect lease renewals at lower effective rates.

We have postponed commencement of works at our Leighton Road, Causeway Bay site as market demand and returns under alternative use assumptions were uncertain. Recently, however we have observed brighter long-term prospects for a hotel/service apartment type of product.

The land premium for the mass market residential project in Sheung Shui, N.T. has been settled and we are scheduled to start construction during the 4th quarter of 2002.

Fortunately, lower financing costs during 2002 to-date compared with last year has helped the group offset a decline in rentals. However, lower interest rates alone may not be sufficient to stimulate end-user demand for property especially in the residential sector.

China

The Group has sold more than 95% of total units in the Westmin Plaza Phase I residential development in Guangzhou. Completion is expected at the end of August 2002 which will be ahead of schedule and within budget. We have now mobilized our resources for Phase II which will comprise 500 units of residential accommodation and 23,000 sqm of commercial space.

In Chengdu, the 50% owned New Century Plaza office and commercial complex is set for completion in the 1st quarter of 2003. One half of the office floor area 25,000sqm has been pre-sold. We are actively seeking buyers for the whole or portion of Overseas Exchange Square, our other major commercial/office development in Chengdu, which we have a 97% interest.

New Zealand

The properties that now remain in our portfolio are located principally in Auckland and were 96% let at the period end. Our New Zealand investments are held by 54.8% owned and listed Trans Tasman Properties Limited ("TTP") which is now financially well-positioned after completing its non-core property disposal programme in June 2002. Gearing is now down to 46% which is significantly below banking limits. After period end TTP acquired a prime 35 hectare site adjacent to the Auckland International Airport zoned for warehouse/industrial use. TTP intends to move quickly to complete site infrastructure and sub-divide the land by mid-2003 and actively promote the property for sale to end users and investors.

TTP announced a net deficit of NZ\$8.3 million from its New Zealand operations for the period under review (compared with a net surplus of NZ\$1.0 million in 2001) including an abnormal charge of NZ\$10.6 million relating to loss on disposal of properties principally in Wellington. TTP had in earlier periods written down the value of these properties resulting in a smaller current period loss.

Australia

Our property interests in Australia are held through Australian Growth Properties Limited ("AGP"), a listed 50% subsidiary of TTP. During the first half of 2002, overall net rental income declined compared with the corresponding period in 2001 due to property sales last year. However, net rents increased from anchor Sydney properties at 345 and 363 George Street. The George Street properties showed better returns through the expiry of lease incentives and the successful refurbishment of the 345 George Street retail area.

Overall occupancy of the Australian portfolio stood at 91% at the end of June 2002.

AGP is conservatively geared at 33% and is actively exploring development or financing opportunities in the major Australian business centres. AGP announced a net operating profit of A\$6.5 million for the six months period ended 30th June, 2002 compared with A\$6.2 million for the 2001 period and its board has recommended payment of an interim dividend of 2 Australian cents per share.

Garment Trading

The Group has for many years benefited through its Hong Kong based garment manufacturing and export operations, including quota entitlements. The profit contribution from this division decreased compared with the same period in 2001 due to uncertainties surrounding the U.S. economic recovery.

E-businesses

Our 50% owned associate, New Zealand based Professional Services Brokers Limited's ("the PSB Group") result for the period was significantly affected by the start-up costs of its technology services subsidiary, SupplyNet Limited ("SupplyNet"). The PSB Group has now successfully integrated its long established public sector procurement service with full I.T./internet based trading platform capability. It is well placed to boost revenues from its two principal divisions, GSB SupplyCorp and SupplyNet handling both Government and private sector clients in New Zealand and eventually in Australia.

Our 35% owned associate, Hong Kong based e-Commerce Logistics Limited ("eCL") continued to make progress during the period in a very competitive environment. eCL's Taiwan warehouse and e-logistics operations produced good results. In China, eCL, in joint venture with the Roly International Group, commenced its warehouse management activities in Shanghai earlier this year and plans to expand into six other cities by the end of 2002.

FINANCIAL REVIEW

Financial Resources and Liquidity

The Group had HK\$606 million cash and unutilized facilities of HK\$1,577 million at 30th June, 2002 to meet its commitments and working capital. The increase of the current ratio from 1.30 at 31st December, 2001 to 1.62 at 30th June, 2002 was mainly due to the repayment of loans related to properties disposed in New Zealand.

At 30th June, 2002, shareholders' funds of the Group amounted to HK\$2,662 million representing a slight increase of 1% from the end of 31st December, 2001. The increase is mainly attributable to exchange translation gain for the net assets of subsidiaries in New Zealand and Australia. As mentioned earlier, the substantial loss reported for the period did not have a significant impact on the shareholders' fund as most of these losses had been dealt with in the reserves at or before 31st December, 2001.

Banks borrowings of TTP and AGP are denominated in NZ\$ and A\$ respectively. At 30th June, 2002, these subsidiaries had drawn down bank loans of HK\$1,522 million (NZ\$401 million) secured mainly by properties valued at HK\$3,060 million (NZ\$806 million).

In Hong Kong and China, properties valued at HK\$2,356 million and fixed deposits of HK\$289 million were pledged for banking facilities extended to certain subsidiaries. At 30th June, 2002, borrowings of HK\$1,173 million had been drawn down.

Refinancing

In New Zealand, TTP concluded negotiations for a new HK\$972 million (NZ\$256 million) 3.5 years term facility to fund the New Zealand property portfolio.

The renewal of major credit facilities on a medium and long term basis since the second half of 2001 provides the Group with capacity and flexibility to undertake development and investment opportunities consistent with its strategy to remain a long-term investor in property.

Treasury policies

The Group adheres to prudent treasury policies. The ratio of non-current liabilities to shareholders' fund plus minority interests was 0.61 at 30th June, 2002 (31st December, 2001: 0.67). The decrease is mainly attributable to reduction of non-current liabilities resulting from the sale of 10 investment properties in New Zealand.

The Group's borrowings are principally on a floating rate basis. However, when requested by lenders under banking arrangements or at times when interest rates are volatile, hedging instruments including swaps and forwards are used to manage interest rate exposure.

Capital movements

During the period, the Company has not issued any additional shares or any type of capital instruments.

AGP made bonus issues of 3,594,832 shares on 15th March, 2002 to the holders of ordinary shares to compensate them for any benefit that would otherwise have accrued to TTP as holder of dividend deferred ordinary shares resulting from the on-market share buy-backs in 2000 and 2001.

Borrowings

As at 30th June, 2002, maturities of the Group's outstanding borrowings were as follow:

| | <i>HK\$m</i> |
|---------------|--------------|
| Within 1 year | 516 |
| 1 -2 years | 60 |
| 2 - 5 years | 1,400 |
| Over 5 years | 1,009 |
| Total | 2,985 |

OUTLOOK

The outlook for the Group in the second half of 2002 is well supported by a strong internal base but heavily influenced by external events. Internally, we have a sizeable rental income stream from assets well diversified geographically. This investment property portfolio has a healthy 93% occupancy rate and an average lease life exceeding 5 years. By contrast, externally, current leasing conditions in the cities and sectors where we are invested range from depressed and uncertain in Hong Kong, intensely competitive in China, softening in Australia and bottoming out in New Zealand. Many factors have contributed to this situation. Notably, these include the weak economic recovery and unstable financial markets in the U.S. and Japan as well as higher interest rates in Australia and New Zealand.

In particular, the prospect of declining effective rents for new leases in the Dah Sing Financial Centre will continue to put pressure on the carrying values of the Group's principal property asset.

However, after the sale of a number of non-core investment properties in Australia and New Zealand over the past 2 years, the Group is in a better position to absorb adverse revaluations. More important, our listed subsidiaries AGP and TTP now have the resources to capitalize on development and investment opportunities in Australia and New Zealand.

In China, we are now making good progress in substantially completing developments previously stalled due to market illiquidity and poor demand.

In Hong Kong, we continue preparations to begin works during the 4th quarter of 2002 on our Sheung Shui and Leighton Road projects. Rent returns from Dah Sing Financial Centre are projected to be stable for the remainder of 2002 and are likely to be lower in 2003.

Our garment division expects lower returns in the 2nd half of 2002 based on a forecast slowdown in U.S. consumer spending.

Finally, our Greater China 3rd party logistics and New Zealand procurement services provider ventures are active in building new revenue sources now that they have achieved customer recognition of their e-commerce platforms.

The immediate priority of S E A Holdings Limited is a return to profitability. We have sufficient human and capital resources to achieve this goal in the short-term despite a generally unfavourable trading environment.

OTHER INFORMATION

Directors' interests in shares, options and warrants

At 30th June, 2002, the interests of the directors and their associates, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), in the shares and options of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) Shares

| Name of director | Number of ordinary shares | Category of interest |
|------------------|---------------------------|----------------------|
| Mr. Lu Wing Lin | 94,000 | Personal |

(ii) Options

| Name of directors | Date of grant | Option price HK\$ | Exercisable period | Number of shares to be issued upon exercise of remaining options at 1st January, 2002 | Number of option shares granted during the period | Number of shares to be issued upon exercise of remaining options at 30th June, 2002 |
|---------------------|---------------|-------------------|-----------------------|---|---|---|
| Lu Wing Chi | 11.8.1992 | 1.85 | 11.8.1992-10.8.2002 | 10,000,000 | – | 10,000,000 |
| | 21.2.1994 | 4.40 | 21.2.1994-20.2.2004 | 2,200,000 | – | 2,200,000 |
| | 4.12.2000 | 1.44 | 4.12.2000-3.12.2010 | 12,500,000 | – | 12,500,000 |
| Lu Wing Yuk, Andrew | 11.8.1992 | 1.85 | 11.8.1992-10.8.2002 | 3,000,000 | – | 3,000,000 |
| | 4.12.2000 | 1.44 | 4.12.2000-3.12.2010 | 3,000,000 | – | 3,000,000 |
| Lu Wing Lin | 11.8.1992 | 1.85 | 11.8.1992-10.8.2002 | 8,000,000 | – | 8,000,000 |
| | 18.11.1993 | 2.78 | 18.11.1993-17.11.2003 | 3,500,000 | – | 3,500,000 |
| | 4.12.2000 | 1.44 | 4.12.2000 - 3.12.2010 | 12,500,000 | – | 12,500,000 |

Other than as disclosed above, none of the directors or chief executive, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

Substantial Shareholders

As at 30th June, 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

| Substantial shareholders | Number of ordinary shares held | |
|---|--------------------------------|-------------------|
| | Direct interest | Indirect interest |
| Nan Luen International Limited ("Nan Luen") | 245,277,811 | – |
| JCS Limited ("JCS") (Note) | – | 245,277,811 |

Note: JCS is deemed to have an interest in 245,277,811 shares under Section 8 of the SDI Ordinance by virtue of its direct controlling interest in Nan Luen.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2002.

Dealings in the company's listed securities

During the half year ended 30th June 2002, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares or warrants.

Employees

The Group employed 200 staffs at 30th June 2002. Salaries are reviewed annually in conjunction with employee performance appraisals. Fringe benefits including tuition/training subsidies, provident fund and medical insurance are offered to most employees. Share options are granted to executives of the Group at the discretion of the directors.

Audit committee

Regular meetings have been held by the committee since its establishment. The committee meets at least twice each year.

At the request of the directors, the interim financial report of the Company for the half year ended 30th June, 2002 has been reviewed by our auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with the Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants and an unmodified review conclusion has been issued.

Code of best practice

The company has complied throughout the period covered by the interim report with the Code of best practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that non-executive directors are not appointed for a specific term.

By order of the Board

Lu Ho

Chairman

Hong Kong, 30th August, 2002

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Half year ended 30th June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2002 HK\$'000 (unaudited) | 2001 HK\$'000 (unaudited) |
| Turnover | 3 | 309,419 | 329,094 |
| Other revenue | | 11,865 | 32,927 |
| Cost of inventories | 4 | (62,857) | (47,809) |
| Staff costs | | (37,035) | (30,247) |
| Depreciation and amortisation | | (5,568) | (3,983) |
| Other operating expenses | | (60,228) | (53,257) |
| Release of negative goodwill | | 6,133 | 6,133 |
| | | 161,729 | 232,858 |
| Net loss on disposal of investments and properties | | (362,712) | (11,573) |
| Impairment loss on investments in securities | | (68,017) | – |
| (Loss) profit from operations | 5 | (269,000) | 221,285 |
| Finance costs | | (109,030) | (147,070) |
| Share of net losses of associates | | (5,287) | (10,940) |
| Share of net losses of jointly controlled entities | | (204) | (244) |
| (Loss) profit before taxation | | (383,521) | 63,031 |
| Taxation | 6 | (4,167) | (1,930) |
| (Loss) profit before minority interests | | (387,688) | 61,101 |
| Minority interests | | 144,142 | (24,754) |
| Net (loss) profit for the period | | (243,546) | 36,347 |
| Dividends | 7 | – | 31,070 |
| (Loss) earnings per share | 8 | | |
| Basic | | (47.6 cents) | 7.1 cents |
| Diluted | | N/A | 6.7 cents |

CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | At 30th June, 2002 HK\$'000 (unaudited) | At 31st December, 2001 HK\$'000 (audited) |
|---|-------|--|--|
| Non-current Assets | | | |
| Investment properties | 9 | 5,369,441 | 5,643,156 |
| Property, plant and equipment | 9 | 510,332 | 282,665 |
| Permanent quotas | | - | - |
| Negative goodwill | | (149,640) | (155,773) |
| Interests in associates | | 20,304 | 16,405 |
| Interests in jointly controlled entities | | 39,044 | 39,248 |
| Other investments | | 101,776 | 108,226 |
| Amounts due from jointly controlled entities | | 2,816 | 2,794 |
| Other loans receivable | | 54,082 | 17,187 |
| | | 5,948,155 | 5,953,908 |
| Current Assets | | | |
| Inventories | | 2,976 | 7,355 |
| Properties for sale | | 662,681 | 493,594 |
| Other investments | | 19,466 | 40,717 |
| Debtors, deposits and prepayments | 10 | 234,471 | 199,874 |
| Taxation recoverable | | 5,592 | 4,127 |
| Advances to directors of an indirect subsidiary | | 1,260 | 1,074 |
| Amount due from an associate | | - | 796 |
| Pledged bank deposits | | 330,755 | 1,038,946 |
| Bank balances and deposits | | 275,729 | 355,971 |
| | | 1,532,930 | 2,142,454 |
| Current Liabilities | | | |
| Creditors, deposits and accrued charges | 11 | 192,524 | 217,688 |
| Sales deposits on properties for sale received | | 137,040 | 72,464 |
| Provisions | | 68,047 | 67,032 |
| Taxation payable | | 24,622 | 22,280 |
| Amounts due to associates | | 7,033 | 10,601 |
| Borrowings - due within one year | 12 | 515,531 | 1,257,523 |
| Other payables - due within one year | | - | 4,715 |
| | | 944,797 | 1,652,303 |
| Net Current Assets | | 588,133 | 490,151 |
| | | 6,536,288 | 6,444,059 |
| Capital and Reserves | | | |
| Share capital | | 51,125 | 51,125 |
| Reserves | | 2,610,916 | 2,573,815 |
| | | 2,662,041 | 2,624,940 |
| Minority Interests | | 1,393,559 | 1,235,879 |
| Non-current Liabilities | | | |
| Borrowings - due after one year | 12 | 2,461,829 | 2,564,381 |
| Other payables - due after one year | | 18,859 | 18,859 |
| | | 2,480,688 | 2,583,240 |
| | | 6,536,288 | 6,444,059 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For half year ended 30th June, 2002

| | Share capital | Share premium | Investment property revaluation reserve | Translation reserve | Investments revaluation reserve | Capital redemption reserve | Contributed surplus | Dividend reserve | Accumulated profits | Total |
|---|------------------|------------------|--|------------------------|---------------------------------------|----------------------------------|------------------------|---------------------|------------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| THE GROUP | | | | | | | | | | |
| At 1st January, 2001 | 50,729 | 150,528 | 693,117 | (196,727) | (34,699) | 4,451 | 277,707 | 50,729 | 2,032,602 | 3,028,437 |
| Released upon disposal of investment properties | - | - | (1,878) | - | - | - | - | - | - | (1,878) |
| Exchange movement during the period | - | - | - | (118,087) | - | - | - | - | - | (118,087) |
| Issue of shares upon exercise of 2008 warrant rights | 396 | 5,060 | - | - | - | - | - | - | - | 5,456 |
| Unrealised holding loss on investments in securities | - | - | - | - | (18,300) | - | - | - | - | (18,300) |
| Net profit for the period | - | - | - | - | - | - | - | - | 36,347 | 36,347 |
| Dividends | - | - | - | - | - | - | - | 31,070 | (31,070) | - |
| Dividends paid - 2000, final | - | - | - | - | - | - | - | (51,124) | - | (51,124) |
| At 30th June, 2001 | 51,125 | 155,588 | 691,239 | (314,814) | (52,999) | 4,451 | 277,707 | 30,675 | 2,037,879 | 2,880,851 |
| THE GROUP | | | | | | | | | | |
| At 1st January, 2002 | 51,125 | 155,588 | 469,850 | (308,050) | (63,202) | 4,451 | 277,707 | 51,125 | 1,986,346 | 2,624,940 |
| Realised upon disposal of investment properties | - | - | 158,405 | - | - | - | - | - | - | 158,405 |
| Exchange movement during the period | - | - | - | 112,401 | - | - | - | - | - | 112,401 |
| Unrealised holding loss on investments in securities | - | - | - | - | (7,051) | - | - | - | - | (7,051) |
| Impairment loss on investments in securities | - | - | - | - | 68,017 | - | - | - | - | 68,017 |
| Net loss for the period | - | - | - | - | - | - | - | - | (243,546) | (243,546) |
| Dividends | - | - | - | - | - | - | - | - | - | - |
| Dividends paid - 2001, final | - | - | - | - | - | - | - | (51,125) | - | (51,125) |
| At 30th June, 2002 | 51,125 | 155,588 | 628,255 | (195,649) | (2,236) | 4,451 | 277,707 | - | 1,742,800 | 2,662,041 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Half year ended 30th June | |
|--|--|---|
| | 2002 HK\$'000 (<i>unaudited</i>) | 2001 HK\$'000 (<i>unaudited and restated</i>) |
| Net cash (used in) generated from operating activities | (182,498) | 49,706 |
| Net cash generated from investing activities | 1,093,146 | 234,740 |
| Net cash used in financing activities | (998,532) | (306,544) |
| Net decrease in cash and cash equivalents | (87,884) | (22,098) |
| Cash and cash equivalents at 1st January | 355,971 | 522,799 |
| Effect of foreign exchange rate changes | 7,642 | (9,336) |
| Cash and cash equivalents at 30th June, represented by bank balances and deposits | 275,729 | 491,365 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

In the opinion of the directors, 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 SSAPs, which was resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs 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.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. This change in accounting policy has been applied retrospectively. However, in the opinion of directors, the calculation of a prior year adjustment is impractical, no prior period adjustment has been made. The effect of such change is to decrease the loss for the six months ended 30th June, 2002 by approximately HK\$18.6 million.

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. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

3. SEGMENT INFORMATION
(a) Geographical segments

| | Half year ended 30th June, 2002 | | | | | | |
|-------------------------------|---------------------------------|-----------|--|-----------|-----------|--------------|--------------|
| | New Zealand | Australia | Greater China other than Hong Kong | Hong Kong | Indonesia | Eliminations | Consolidated |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>REVENUE</i> | | | | | | | |
| Turnover | 78,305 | 79,874 | 3,835 | 147,405 | - | - | 309,419 |
| Inter-segment revenue | - | 7,032 | - | - | - | (7,032) | - |
| Total revenue | 78,305 | 86,906 | 3,835 | 147,405 | - | (7,032) | 309,419 |
| <i>SEGMENT PROFIT (LOSS)</i> | (305,910) | 41,365 | (1,885) | 2,686 | (230) | - | (263,974) |
| Interest income | | | | | | | 9,563 |
| Unallocated corporate expense | | | | | | | (14,589) |
| <i>LOSS FROM OPERATIONS</i> | | | | | | | (269,000) |

| | Half year ended 30th June, 2001 | | | | | | |
|-------------------------------|---------------------------------|-----------|--|-----------|-----------|--------------|--------------|
| | New Zealand | Australia | Greater China other than Hong Kong | Hong Kong | Indonesia | Eliminations | Consolidated |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>REVENUE</i> | | | | | | | |
| Turnover | 89,046 | 88,040 | 660 | 151,348 | - | - | 329,094 |
| Inter-segment revenue | - | 8,868 | - | - | - | (8,868) | - |
| Total revenue | 89,046 | 96,908 | 660 | 151,348 | - | (8,868) | 329,094 |
| <i>SEGMENT PROFIT (LOSS)</i> | 56,897 | 61,729 | (9,012) | 103,230 | (2,444) | - | 210,400 |
| Interest income | | | | | | | 31,739 |
| Unallocated corporate expense | | | | | | | (20,854) |
| <i>PROFIT FROM OPERATIONS</i> | | | | | | | 221,285 |

(b) Business segments

| Half year ended 30th June, 2002 | | | | | | | |
|---------------------------------|---------------------|-----------------------------------|-----------------|----------------------|----------------|----------------|------------------|
| | Property investment | Garment manufacturing and trading | Investment | Property development | Other | Eliminations | Consolidated |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>REVENUE</i> | | | | | | | |
| Turnover | 213,270 | 91,138 | 1,684 | 1,632 | 1,695 | - | 309,419 |
| Inter-segment revenue | 1,785 | - | - | - | 7,032 | (8,817) | - |
| Total revenue | 215,055 | 91,138 | 1,684 | 1,632 | 8,727 | (8,817) | 309,419 |
| SEGMENT PROFIT (LOSS) | (205,452) | 24,012 | (71,184) | (3,612) | (7,738) | - | (263,974) |
| Interest income | | | | | | | 9,563 |
| Unallocated corporate expenses | | | | | | | (14,589) |
| LOSS FROM OPERATIONS | | | | | | | (269,000) |

| Half year ended 30th June, 2001 | | | | | | | |
|---------------------------------|---------------------|-----------------------------------|----------------|----------------------|--------------|-----------------|----------------|
| | Property investment | Garment manufacturing and trading | Investment | Property development | Other | Eliminations | Consolidated |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| <i>REVENUE</i> | | | | | | | |
| Turnover | 234,104 | 86,035 | 7,377 | 912 | 666 | - | 329,094 |
| Inter-segment revenue | 2,463 | - | - | - | 8,868 | (11,331) | - |
| Total revenue | 236,567 | 86,035 | 7,377 | 912 | 9,534 | (11,331) | 329,094 |
| SEGMENT PROFIT (LOSS) | 194,389 | 31,463 | (6,695) | (8,691) | (66) | - | 210,400 |
| Interest income | | | | | | | 31,739 |
| Unallocated corporate expenses | | | | | | | (20,854) |
| PROFIT FROM OPERATIONS | | | | | | | 221,285 |

4. COST OF INVENTORIES

| | Half year ended 30th June | |
|--|---------------------------|-----------------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Changes in inventories of manufactured finished goods and work-in-progress | (4,567) | 1,131 |
| Raw materials and consumables used | (15,012) | (14,821) |
| Purchase of goods held for resale | (40,716) | (34,119) |
| Changes in inventories of properties for sale | 158,974 | 25,637 |
| Contracting costs incurred on properties under development for sale | (161,536) | (25,637) |
| | (62,857) | (47,809) |

5. (LOSS) PROFIT FROM OPERATIONS

| | Half year ended 30th June | |
|---|---------------------------|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| (Loss) profit from operations has been arrived at after charging (crediting): | | |
| Loss on sale of investment properties | 362,176 | 11,573 |
| Interest income | (9,563) | (31,739) |
| Dividends and option income from listed investments | (1,325) | (6,813) |

6. TAXATION

| | Half year ended 30th June | |
|------------------------------|---------------------------|--------------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| The charge comprises: | | |
| Hong Kong Profits Tax | 3,654 | 1,930 |
| Income tax outside Hong Kong | 513 | – |
| | 4,167 | 1,930 |

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDENDS

| | Half year ended 30th June | |
|--|---------------------------|-------------------------|
| | 2002 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> |
| Interim - Nil cents per share (b) on 511,246,868 shares (2001: HK6 cents per share on 511,246,868 shares) | - | 30,675 |
| Additional prior year's final dividend paid on exercise of shares options and 2008 warrants subsequent to the issue of the annual report (a) | - | 395 |
| | - | 31,070 |

(a) On 28th May, 2002, a dividend of HK10 cents per share was paid to shareholders as the final dividend for 2001.

On 25th May, 2001, a dividend of HK10 cents per share was paid to shareholders as the final dividend for 2000.

(b) The directors do not recommend the payment of any interim dividend for 2002.

Note: In accordance with SSAP 9 (Revised), all proposed dividends are now accounted for under the dividend reserve account.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

| | Half year ended 30th June | |
|---|---------------------------|-------------------------|
| | 2002 <i>HK\$'000</i> | 2001 <i>HK\$'000</i> |
| Net (loss) profit for the period and (loss) earnings for the purposes of basic and diluted (loss) earnings per share | (243,546) | 36,347 |
| | Number of shares | |
| Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share | 511,246,868 | 508,501,189 |
| Effect of dilutive potential ordinary shares: | | |
| Options | N/A | 5,846,154 |
| Warrants | N/A | 29,932,714 |
| Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share | 511,246,868 | 544,280,057 |

No diluted loss per share has been calculated for the six months ended 30th June, 2002 as the exercise of the share options and warrants and the conversion of the capital convertible note of a subsidiary would result in a decrease in the loss per share.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired investment properties at a cost of HK\$51,505,000 and transferred HK\$207,925,000 to properties under development. In addition, exchange realignment of HK\$404,070,000 contributed to an increase in the carrying value of investment properties brought forward from 1st January, 2002.

During the period, the Group disposed of investment properties with a carrying amount of HK\$521,365,000 for proceeds of HK\$484,325,000.

In the opinion of the directors, there is no material difference between the carrying amount and the market value of investment properties at 30th June, 2002.

During the period, the Group acquired property, plant and equipment at a cost of HK\$14,068,000 and an exchange realignment of HK\$10,748,000 contributed to an increase in carrying value of property, plant and equipment brought forward from 1st January, 2002.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 2.5 months to its trade customers.

Included in debtors, deposits and prepayments are trade debtors of HK\$42,004,000 (31st December, 2001: HK\$29,644,000), an aged analysis of which at the reporting date is as follows:

| | 30th June, 2002 HK\$'000 | 31st December, 2001 HK\$'000 |
|----------------|---|------------------------------------|
| 0 to 60 days | 32,211 | 20,273 |
| 61 to 90 days | 5,121 | 2,060 |
| 91 to 365 days | 3,752 | 6,750 |
| Over 365 days | 920 | 561 |
| | 42,004 | 29,644 |

11. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors of HK\$57,548,000 (31st December, 2001: HK\$39,827,000), an aged analysis of which at the reporting date is as follows:

| | 30th June, 2002 HK\$'000 | 31st December, 2001 HK\$'000 |
|----------------|---|------------------------------------|
| 0 to 60 days | 47,413 | 29,815 |
| 61 to 90 days | 6,104 | 3,200 |
| 91 to 365 days | – | 787 |
| Over 365 days | 4,031 | 6,025 |
| | 57,548 | 39,827 |

12. BORROWINGS

During the period, the Group repaid bank loans amounting to HK\$1,855,952,000 and obtained new bank loans in the amount of HK\$785,551,000. The new loans bear interest at market rates and are repayable by instalments up to respective maturity period. The proceeds were used to finance the construction costs of properties under development and for working capital.

13. COMMITMENTS

At the reporting date, the Group had capital commitments not provided for in the condensed financial statements in respect of expenditure to be incurred on properties as follows:

| | 30th June, 2002 HK\$'000 | 31st December, 2001 HK\$'000 |
|---|---|------------------------------------|
| Hong Kong | | |
| Authorised but not contracted for | 301,043 | 328,100 |
| Contracted for but not provided for in the financial statements | 32,540 | 31,031 |
| Other regions of the People's Republic of China | | |
| Authorised but not contracted for | 383,710 | 389,614 |
| Contracted for but not provided for in the financial statements | 66,000 | 110,470 |
| New Zealand and Australia | | |
| Authorised but not contracted for | 6,606 | 870 |
| Contracted for but not provided for in the financial statements | 3,934 | 11,525 |

14. CONTINGENT LIABILITIES

At the reporting date, the Group acted as guarantor for the repayment of the bank loans granted to purchasers of the Group's properties under development for sale amounting to HK\$55,137,000 (31st December, 2001 : HK\$22,802,000). The guarantee will be released upon completion of the construction of the properties and the relevant property ownership certificate being issued by the relevant authority.

15. PLEDGE OF ASSETS

At the reporting date, the Group had the following mortgages and/or pledge over its assets to secure banking facilities and other bank loans granted to the Group.

- a. Fixed and floating charges on investment properties with an aggregate book value of HK\$5,333,041,000 (31st December, 2001: HK\$5,606,756,000).
- b. Properties for sale with an aggregate book value of HK\$149,056,000 (31st December, 2001: HK\$140,411,000).
- c. Properties under development with an aggregate book value of HK\$75,696,000 (31st December, 2001: HK\$58,538,000).
- d. Bank deposits of HK\$330,755,000 (31st December, 2001: HK\$1,038,946,000).
- e. Listed and unlisted shares held by certain subsidiaries.