

愛美高

EVERGO CHINA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

**Interim Report
For The Six Months
Ended 30th June, 2001**

CORPORATE INFORMATION

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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF EVERGO CHINA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Directors of Evergo China Holdings Limited to review the interim financial report set out on pages 2 to 8.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants. However, the Listing Rules permit departure from SSAP 25 in that comparative figures are not required for the condensed consolidated cash flow statement to be included in the first interim financial report relating to accounting periods ended on or after 1st July, 2000. The interim financial report is the responsibility of, and has been approved by, the Directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standard 700 "Engagements To Review Interim Financial Reports" ("SAS 700") issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2001.

Without modifying our review conclusion, we draw to your attention that the comparative condensed consolidated income statement and the condensed consolidated statement of recognised gains and losses for the six months ended 30th June, 2000 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

7th September, 2001

RESULTS

The Board of Directors of Evergo China Holdings Limited (the “Company”) would like to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2001 together with the comparative figures for the corresponding period last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2001

	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover (Note 3)	24,520	17,843
Cost of sales	(9,189)	(2,144)
Gross profit	15,331	15,699
Other revenue (Note 8)	33,873	21,874
Administrative expenses	(8,371)	(6,153)
Other operating expenses	(99)	(1,121)
Loss on disposal of investment properties	–	(5,691)
Impairment loss recognised in respect of property interests held by the Group (Note 9)	(20,915)	–
Profit from operations	19,819	24,608
Finance costs	(1,480)	(2,752)
Provision for advances to associates (Note 10)	(32,976)	(58,073)
Share of results of associates (Note 11)	(80,744)	(1,469)
Loss before taxation	(95,381)	(37,686)
Taxation (Note 6)	(3,243)	(1,643)
Loss before minority interests	(98,624)	(39,329)
Minority interests	8,207	23,589
Loss attributable to shareholders	(90,417)	(15,740)
Interim dividend	–	–
Loss transfer to reserve	(90,417)	(15,740)
Loss per share – basic (Note 7)	(4.18) cents	(0.73) cents
Interim dividend per share	–	–

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2001

	30th June, 2001 <i>HK\$'000</i> (Unaudited)	31st December, 2000 <i>HK\$'000</i> (Audited)
Non-Current Assets		
Investment properties	279,827	285,860
Other fixed assets	389	443
Property interests held for future development	117,092	113,182
Properties held for future development	114,000	116,212
Rights held under contractual arrangements relating to properties	135,000	147,650
Interests in associates	978,434	1,100,396
Other assets	81	81
	<u>1,624,823</u>	<u>1,763,824</u>
Current Assets		
Properties for sale	1,835	8,582
Debtors, deposits and prepayments (<i>Note 12</i>)	6,654	6,103
Loans and advances	–	88
Taxation recoverable	–	126
Time deposits, cash and bank balances	379,556	365,227
	<u>388,045</u>	<u>380,126</u>
Current Liabilities		
Creditors, accruals and provisions (<i>Note 13</i>)	11,825	31,375
Deposits and receipts in advance	11,560	13,136
Amount due to a shareholder	24,248	24,248
Secured promissory notes	12,799	13,637
Taxation payable	14,538	13,290
Bank loans, unsecured	11,699	23,398
	<u>86,669</u>	<u>119,084</u>
Net Current Assets	<u>301,376</u>	<u>261,042</u>
Non-Current Liabilities		
Amount due to a minority shareholder	230,635	230,643
Minority Interests	<u>(123,776)</u>	<u>(115,569)</u>
	<u>1,819,340</u>	<u>1,909,792</u>
Capital and Reserves		
Share capital (<i>Note 14</i>)	216,158	216,158
Reserves (<i>Note 15</i>)	1,603,182	1,693,634
	<u>1,819,340</u>	<u>1,909,792</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th June, 2001

	Six months ended 30th June, 2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Exchange differences arising on translation of overseas operations	(42)	214
Share of associates' exchange differences arising on translation of overseas operations	<u>68</u>	<u>774</u>
Net gains not recognised in the consolidated income statement	26	988
Loss attributable to shareholders	<u>(90,417)</u>	<u>(15,740)</u>
Total recognised gains and losses	<u><u>(90,391)</u></u>	<u><u>(14,752)</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2001

	HK\$'000
	(Unaudited)
Net cash inflow from operating activities	13,819
Net cash inflow from returns on investments and servicing of finance	10,251
Taxation paid	(1,869)
Net cash inflow from investing activities	<u>4,715</u>
Net cash inflow before financing	26,916
Net cash outflow from financing	<u>(12,545)</u>
Increase in cash and cash equivalents	14,371
Cash and cash equivalents at beginning of the period	365,227
Effect of foreign exchange rate changes	(42)
Cash and cash equivalents at end of the period	<u><u>379,556</u></u>
Analysis of cash and cash equivalents	
Time deposits, cash and bank balances	<u><u>379,556</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of presentation

The condensed financial statements have been prepared in accordance with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants, except that no comparative figures are presented for the cash flow statement, being the cash flow statement to be included in the first interim financial report relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Listing Rules.

2. Accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

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, 2000 except that in the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the following changes in accounting policies. Certain comparative figures in the condensed consolidated income statement have been reclassified to conform with the presentation of the current period.

Segment reporting

The Group has chosen to adopt SSAP 26 “Segment Reporting” for the first time in this interim reporting period. In previous years, segment disclosures have been presented in accordance with the disclosure requirements of the Listing Rules. For the purposes of this interim financial report, the adoption of SSAP 26 has resulted in a re-specification of some reportable segments. Segment disclosures for the six months ended 30th June, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 “Business Combinations” and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, the effect of this adjustment is immaterial and no restatement is made.

Goodwill arising on acquisition after 1st January, 2001 is capitalised and amortised over its estimated useful life i.e. over periods ranging between 5 and 20 years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. Turnover

Turnover represents the aggregate of gross rental income and gross proceeds on sales of trading properties.

4. Segment information

Business segments

	Properties leasing		Property development and trading		Consolidated	
	Six months ended 30th June, 2001	2000	Six months ended 30th June, 2001	2000	Six months ended 30th June, 2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>17,461</u>	<u>17,843</u>	<u>7,059</u>	<u>–</u>	<u>24,520</u>	<u>17,843</u>
Segment result	<u>12,744</u>	<u>13,735</u>	<u>(7,616)</u>	<u>7,934</u>	<u>5,128</u>	<u>21,669</u>
Interest income less unallocated operating expenses					<u>14,691</u>	<u>2,939</u>
Profit from operations					<u>19,819</u>	<u>24,608</u>

Geographical market segments

Substantially all of the activities of the Group during the period were carried out in the People's Republic of China other than Hong Kong (“PRC”). Accordingly, a geographical analysis is not included.

5. Staff expenses and depreciation

	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Staff expenses – Administrative expenses	<u>2,956</u>	<u>2,705</u>
Depreciation – Administrative expenses	<u>88</u>	<u>149</u>

6. Taxation

	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Company and its subsidiaries		
– Hong Kong	476	–
– PRC	<u>2,767</u>	<u>1,643</u>
	<u>3,243</u>	<u>1,643</u>

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the period. Income tax has been provided for at appropriate rates on the estimated assessable profits of each subsidiary in the PRC.

No provision for deferred tax is made as the effect of timing difference is immaterial.

7. Loss per share

The calculation of the loss per share is based on the loss attributable to shareholders for the period of HK\$90,417,000 (six months ended 30th June, 2000: HK\$15,740,000) and on the weighted average number of 2,161,581,384 (six months ended 30th June, 2000: 2,161,503,184) ordinary shares in issue throughout the period.

8. Other revenue

Included in other revenue are: –

	Six months ended 30th June,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	11,345	21,861
Provision for turnover tax and interest tax written back	14,415	–
	<u>14,415</u>	<u>–</u>

9. Impairment loss recognised in respect of property interests held by the Group

Upon an internal review of development value, impairment loss was made in respect of the properties located at Panyu Technology Park, Haikou Asian Villas and Fuzhou Asian Villas in the sum of HK\$103,000, HK\$12,650,000 and HK\$2,129,000 respectively. An impairment loss of HK\$6,033,000 was made in respect of an investment property located at Shanghai Shartex Plaza which was disposed in July 2001. The minority interest's share of impairment loss in respect of Haikou Asian Villas and Fuzhou Asian Villas in the aggregate sum of HK\$8,718,000 was recorded in minority interest.

10. Provision for advances to associates

Provision for advances to associates represents loss on disposal of property located at Tianjin Winson Plaza of HK\$13,364,000 and impairment loss on development project of Hong Kong New World Tower in Shanghai of HK\$19,612,000.

11. Share of results of associates

Upon an internal review of the development value of Hong Kong New World Tower in Shanghai, an impairment loss of HK\$100,388,000 was resulted. Such loss was included in provision for advances to associates and share of results of associates in the sum of HK\$19,612,000 and HK\$80,776,000 respectively.

12. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors of HK\$3,202,000 (31st December, 2000: HK\$2,231,000) comprised mainly of rental receivables which are billed in advance and settlements are expected upon receipts of billings.

The following is an aged analysis of trade debtors at the reporting date:

	30th June,	31st December,
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	1,504	1,748
31-60 days	1,010	458
61-90 days	519	25
Over 90 days	169	–
	<u>3,202</u>	<u>2,231</u>

Included in debtors, deposits and prepayments is an amount of HK\$609,000 due from a related company beneficially owned by a Director. The amount is interest free, unsecured and repayable on demand.

13. Creditors, accruals and provisions

None of the creditors are trade payable and accordingly no aged analysis is presented.

14. Share capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December, 2000 and 30th June, 2001	3,600,000,000	360,000
Issued and fully paid:		
At 1st January, 2000	2,160,000,000	216,000
New issue	1,581,384	158
At 31st December, 2000 and 30th June, 2001	2,161,581,384	216,158

On 10th January, 2000, the Company allotted and issued 1,581,384 shares to a wholly owned subsidiary of Chinese Estates Holdings Limited ("Chinese Estates") as capitalisation of advances made by Chinese Estates for financing the Zhong Shan Building project. An independent valuation was adopted by the Company as a reference for determining the number of shares issued.

15. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Hotel property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits (loss) HK\$'000	Total HK\$'000
At 1st January, 2000	241,644	1,278,604	61	58,594	105,632	7,032	137,579	1,829,146
Exchange adjustments	-	-	-	-	-	262	-	262
Share of associates' reserves movements during the year	-	-	-	(32,750)	(25,682)	70	-	(58,362)
Premium on issue of shares	3,198	-	-	-	-	-	-	3,198
Share issue expenses	(3)	-	-	-	-	-	-	(3)
Loss for the year	-	-	-	-	-	-	(80,607)	(80,607)
At 31st December, 2000	244,839	1,278,604	61	25,844	79,950	7,364	56,972	1,693,634
Exchange adjustments	-	-	-	-	-	26	-	26
Eliminated on dissolution of a subsidiary	-	-	(61)	-	-	-	-	(61)
Loss for the period	-	-	-	-	-	-	(90,417)	(90,417)
At 30th June, 2001	244,839	1,278,604	-	25,844	79,950	7,390	(33,445)	1,603,182

16. Commitments

At the balance sheet date, the Group had the following commitments not provided for in the financial statements:

	30th June, 2001 HK\$'000	31st December, 2000 HK\$'000
(a) Acquisition of properties in the PRC authorised and contracted for	23,428	23,441
(b) Commitments for property development expenditure authorised but not contracted for	1,561,182	1,557,996

17. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Expenses paid to Chinese Estates and its subsidiaries ("Chinese Estates Group")		
– Office rental	231	529
– Building management fee	79	93
Interest income from associates	2,696	11,480
Legal and professional fee paid to a partnership in which a consultant is an Independent Non-executive Director	<u>18</u>	<u>–</u>

Evergo Holdings (China) Company Limited ("Evergo BVI"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Shanghai Golden Sea Building Limited ("Shanghai Golden Sea"), a 90.3% subsidiary of The Kwong Sang Hong International Limited, an indirect associate of Chinese Estates, pursuant to which Shanghai Golden Sea agreed to lease to Evergo BVI Unit 708 of Peregrine Plaza, Shanghai for twenty-six months commencing from 1st November, 2000 to 31st December, 2002 at a monthly rental of US\$1,452.30. On 30th June, 2001, Evergo BVI surrendered the said premises and entered into a new tenancy agreement with Shanghai Golden Sea for leasing Unit 03 on the Basement I of Peregrine Plaza for a two-year period commencing on 1st July, 2001 at a monthly rental of US\$702.60.

Office rental and building management fee were determined on terms similar to those applicable to transactions with unrelated parties.

18. Post balance sheet event

1. On 11th July, 2001, the Group disposed its interest in two subsidiaries which held two floors at Shartex Plaza in Shanghai to the holder of the secured promissory notes in settlement of the outstanding principal and interest due. Our Group's interest in the two subsidiaries is 60%. An impairment loss of HK\$6,033,000 was recognised for the six months ended 30th June, 2001 for the estimated loss.
2. On 12th July, 2001, the termination of the Huangsha Project in Guangzhou was approved by the relevant government authority and it is resolved that the PRC partner will refund HK\$11,367,000 to Kamrich Limited within six months from 12th July, 2001 or when the necessary procedure is completed. Our Group's share in Kamrich Limited is 33.33%.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the period ended 30th June, 2001 (six months ended 30th June, 2000: Nil).

BUSINESS REVIEW

Turnover for the six months ended 30th June, 2001 amounted to HK\$24.5 million, representing an increase of 37.6% over the figure of the same period last year of HK\$17.8 million. This was mainly attributable to the inclusion of sales of properties held for sale in Panyu of HK\$7.1 million (six months ended 30th June, 2000: Nil) in turnover during the period. Gross and net rental income from Lowu Commercial Plaza of HK\$16.5 million (six months ended 30th June, 2000: HK\$16.1 million) and HK\$14.6 million (six months ended 30th June, 2000: HK\$14.2 million) has been included in turnover and gross profit respectively. Loss attributable to shareholders amounted to HK\$90.4 million (six months ended 30th June, 2000: HK\$15.7 million). This was mainly due to impairment loss recognised for property under development of HK\$100.4 million held by an associate during the period. Such loss was included in provision for advances to associates and share of results of associates in the sum of HK\$19.6 million and HK\$80.8 million respectively. In addition, further impairment loss was made in respect of property interests in Panyu, Fuzhou and Haikou. Loss per share for the period was 4.18 cents (six months ended 30th June, 2000: 0.73 cents). Profit from operations for the period amounted to HK\$19.8 million (six months ended 30th June, 2000: HK\$24.6 million).

Financial and Interest Income/Expense

Interest income for the six months ended 30th June, 2001 was HK\$11.3 million, a decrease of 48.4% over the figure for the same period of 2000 of HK\$21.9 million. Interest expense for the six months ended 30th June, 2001 amounted to HK\$1.3 million, a 53.6% decrease as compared to HK\$2.8 million in 2000. Net interest income was HK\$10.0 million in 2001, a 47.6% decrease over the 2000 figure.

Equity

Number of issued shares as at 30th June, 2001 was 2,162 million (31st December, 2000: 2,162 million). There is no change in the number of issued shares during the period.

Debt and Gearing

As at 30th June, 2001, the Group has an outstanding bank borrowing of HK\$11.7 million (31st December, 2000: HK\$23.4 million). The Group's debt/equity ratio for 2001 was 0.6% (31st December, 2000: 1.2%) expressed as a percentage of bank borrowing over total net assets of HK\$1,819.3 million (31st December, 2000: HK\$1,909.8 million) of the Group. Cash and deposits at bank amounted to HK\$379.6 million (31st December, 2000: HK\$365.2 million). As at 30th June, 2001, the Group's borrowing was wholly denominated in US Dollars and carried an interest rate calculated with reference to LIBOR. The Group did not have any financial instruments used for hedging purpose.

Pledge of Assets

As at 30th June, 2001, the shares in two subsidiaries of the Group with aggregate net asset values of HK\$17.1 million (31st December, 2000: HK\$16.4 million) were pledged to secure the promissory notes drawn by the Group.

Net Asset Value

As at 30th June, 2001, the Group's net assets amounted to approximately HK\$1,819.3 million (31st December, 2000: HK\$1,909.8 million), a decrease of HK\$90.5 million or 4.7% when compared with 31st December, 2000. The decrease in that figure was mainly due to net loss sustained for the six months ended 30th June, 2001. Net asset value per share was HK\$0.84 (31st December, 2000: HK\$0.88).

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 31st December, 2001.

Investment Properties

The 79 retail shops on the first level of Lowu Commercial Plaza, Shenzhen continued to generate stable recurrent rental income. As of July 2001, about 96% of the shops had been leased. The Group has a 100% interest in this property.

The two floors at Shartex Plaza, Shanghai (60% interest) were sold after the period under review.

The leasing of Winson Plaza, Tianjin (30% interest) remained stable. As of July 2001, over 90% of the available area had been leased.

The average occupancy rate and gross operating profit of the Hilton Hotel, Beijing (50% interest) for the first six months of 2001 were approximately 75% and HK\$13.5 million respectively. The application for change of use and increase in construction area of the multi-functional complex is proceeding.

The leasing of Oriental Place, Beijing (50% interest) is satisfactory. As of July 2001, about 89% of the available area had been leased.

Development Properties

To cater to changes in market demand, the floor area of Hong Kong New World Tower, Shanghai (34.65% interest) intended to accommodate a hotel and service apartments has been allocated for office premises. The amendment of the plan has been approved. After the amendment, the project will comprise office premises, function halls, restaurants, retail shops and carparks. The total gross floor area will be approximately 1,476,000 sq.ft. The structural work has been completed while construction for the external walls and fitting out is underway. It is expected that construction of the whole project will be completed by 2002.

Negotiations are being conducted with potential purchasers for the sale of the Asian Villas project in Fuzhou (60% interest).

The sale of about 37% of the site area of Panyu Technology Park, Guangzhou had been completed. After the disposal, the site area decreases to approximately 498,000 sq.ft. The project is pending further development. The Group has a 100% interest in this project.

Owing to a dispute in respect of amounts aggregating RMB80,980,000 due to the Group in respect of the development of Hua Bao Garden, Shanghai (54% interest), the Group had filed actions with Shanghai First Intermediate Level People's Court against Shanghai Huabao Real Estate Development Company and a joint venture partner of the Group demanding repayment of such amount. Hearings of the case continue. The Company's total investment in this project was fully written off in 1999.

In relation to the Group's 33.33% interest in the project of Lot E, Huangsha Station, Guangzhou, the shareholders of the cooperative joint venture company have entered into an agreement to terminate and liquidate the joint venture company. The application for such termination has been approved by Guangzhou Foreign Trade and Economic Committee. The development of the project will not be proceeded.

CORPORATE INFORMATION

Proposed Privatisation of the Company by Chinese Estates Holdings Limited

The Directors announced on 7th August, 2001 that Chinese Estates, a controlling shareholder of the Company, had requested the Company to put forward a proposal to its shareholders regarding a proposed privatisation of the Company (the "Proposal") by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda (the "Companies Act") involving the cancellation of all the issued shares of the Company held by the shareholders other than the Chinese Estates Group (the "Scheme") in exchange for a cash payment or for certain new shares in Chinese Estates. If the Scheme becomes effective, the listing of the shares of the Company currently on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be withdrawn. In the event that the Proposal lapses, the Company will maintain the listing of its shares on the Stock Exchange.

A circular (the "Scheme Document") containing, inter alia, further details of the Proposal, the expected timetable, explanatory information as required under the Companies Act, information regarding the Group and the Chinese Estates Group, valuation reports, recommendation from the independent board committee of the Company with respect to the Proposal, a letter of advice from the independent financial adviser to such independent board committee, notices of the court meeting and special general meeting will be despatched to the shareholders of the Company as soon as practicable.

The unaudited consolidated interim results of the Group for the six months ended 30th June, 2001 have been reported on by the reporting accountants and independent financial adviser in compliance with the Hong Kong Code on Takeovers and Mergers.

PROSPECTS

After several years of market consolidation followed by some signs of recovery last year, China's property market was still in an uptrend during the first half of the year. Benefited from the sustained growth of China's economy as well as the implementation of tax deduction and exemption in property assignment, housing reform and the related measures, demand for residential commodity properties has increased, while the floor area sold and the average selling price in major cities have recorded significant growth compared with the same period last year.

In April this year, the State Planning Commission and the Ministry of Finance abolished more than 40 levies relating to property development, construction, land acquisition and assignment of possession. This development has enhanced the investment conditions in property market. Furthermore, driven by the prospect of China's accession to the World Trade Organization and the hosting of the Olympic Games 2008 in Beijing, investors' confidence in the property market has been strengthened significantly. The Group anticipates that the upsurge in the property market will continue.

DIRECTORS' INTERESTS IN THE SECURITIES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 30th June, 2001, the interests of the Directors of the Company in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

(i) The Company

Name of director	Number of Shares
Mr. Joseph Lau, Luen-hung – Corporate interests	<u>1,112,582,621</u> (Note 1)

(ii) Associated Corporation

Chinese Estates Holdings Limited ("Chinese Estates")

Name of director	Number of Shares	2003 3% Convertible Bonds (Note 2)
Mr. Joseph Lau, Luen-hung		
– Personal interests	381,504,119	–
– Other interests	987,933,549	HK\$180,000,000 (Note 3)
Total interests	<u>1,369,437,668</u>	<u>HK\$180,000,000</u>
Mr. Thomas Lau, Luen-hung		
– Corporate interests	3,000,000	HK\$20,000,000
– Other interests	206,379,187 (Note 4)	–
Total interests	<u>209,379,187</u>	<u>HK\$20,000,000</u>

Notes:

- Mr. Joseph Lau, Luen-hung, by virtue of his 57.5% interest in the issued share capital of Chinese Estates as disclosed in paragraph (ii) above, was deemed to be interested in these shares of the Company under the provisions of the SDI Ordinance.
- Subject to the overriding right of redemption by Chinese Estates, holders of the convertible bonds are entitled to convert one fully paid share of Chinese Estates at a conversion price of HK\$1.08 before the close of business on the business day immediately preceding 20th March, 2003.

- (3) These securities were indirectly held by the respective discretionary trusts of which certain family members of Mr. Joseph Lau, Luen-hung were eligible beneficiaries.
- (4) These shares were indirectly held by another discretionary trust of which certain family members of Mr. Thomas Lau, Luen-hung were eligible beneficiaries.

Save as disclosed herein, none of the other Directors and chief executives of the Company had or were deemed under the SDI Ordinance to have any interest in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as at 30th June, 2001.

During the period under review, none of the Directors or chief executives of the Company nor their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any securities of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 30th June, 2001, so far as are known to the Directors, the following parties (other than a director or chief executive of the Company) were recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as being, directly or indirectly, interested or deemed to be interested in 10% or more of the nominal value of the issued share capital of the Company:

Name of shareholder	Number of shares	Note(s)
(i) Oriental Master Ltd.	1,000,000,000	1
(ii) Chinese Estates Holdings Limited	1,112,582,621	1 & 3
(iii) Golden Game Overseas Limited	1,112,582,621	2 & 3
(iv) Credit Suisse Trust Limited as trustee	1,112,582,621	2 & 3

Notes:

- (1) Party (i) is a subsidiary of party (ii) and its interests in the shares of the Company is duplicated and included in the shareholding stated against party (ii) above.
- (2) The shares relate to the same parcel of shares in the Company which are duplicated in the shareholding stated against party (ii) due to their respective interests in party (ii).
- (3) The 1,112,582,621 shares referred to in the above parties (ii) to (iv) relate to the same parcel of shares referred to in corporate interests in the Company of Mr. Joseph Lau, Luen-hung under the heading "Directors' interests in the securities of the Company and associated corporations".

AFFILIATED COMPANIES

An unaudited proforma combined balance sheet of the affiliated companies of the Group and its attributable interest as at 31st July, 2001 (the latest practicable date) are:

	Combined Total <i>HK\$ million</i>	Interest attributable to the Group <i>HK\$ million</i>
Investment properties and other fixed assets	1,048	524
Properties under development	1,493	523
Properties held for development	80	27
Other financial assets	3	2
Current assets	535	226
Current liabilities	301	119
Net current assets	234	107
Long-term liabilities	(2,179)	(845)
Minority interest	(5)	(2)
Net assets	674	336
Capital commitments	307	107

Note: Consolidated adjustments relating to interests in affiliated companies were included to conform with the Group's accounting policies.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2001, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed shares of the Company.

CODE OF BEST PRACTICE

The Audit Committee comprising three Independent Non-executive Directors of the Company has reviewed the details of the interim report for the period ended 30th June, 2001.

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June, 2001, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules except that the Independent Non-executive Directors are not appointed for any specific terms as they are subject to retirement by rotation in accordance with the Company's Bye-laws.

APPRECIATION

I take this opportunity to thank our shareholders, my fellow directors and our staff members for their dedication and support.

On behalf of the Board
Thomas Lau, Luen-hung
Chairman

Hong Kong, 7th September 2001