



PACIFIC CONCORD HOLDING LIMITED

2001

INTERIM REPORT

UNAUDITED INTERIM RESULTS

The Board of Directors (“the Board”) of Pacific Concord Holding Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2001, together with the comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2001

		30 June 2001 (Unaudited) <i>HK\$'000</i>	30 June 2000 (Unaudited) <i>HK\$'000</i>
Turnover: Group and share of jointly-controlled entities		208,936	96,616
<i>Less:</i> Share of jointly-controlled entities' turnover		—	(39,967)
TURNOVER FROM THE GROUP	3	<u>208,936</u>	<u>56,649</u>
Cost of sales		(102,684)	(25,484)
Gross profit		106,252	31,165
Other revenue		52,539	17,309
Selling and distribution costs		(3,603)	(3,287)
Administrative expenses		(19,102)	(21,008)
Other operating expenses		(16,752)	3,213
PROFIT FROM OPERATING ACTIVITIES	4	119,334	27,392
Finance costs	5	(19,687)	(10,680)
Share of profits less losses of:			
Jointly-controlled entities		—	153,172
Associates		515	1,082
PROFIT BEFORE TAX		100,162	170,966
Taxation	6	9,177	(15,309)
PROFIT BEFORE MINORITY INTERESTS		109,339	155,657
Minority interests		856	(55,623)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		110,195	100,034
Dividends	7	—	—
RETAINED PROFIT FOR THE PERIOD		<u>110,195</u>	<u>100,034</u>
EARNINGS PER SHARE			
Basic	8	<u>4.16 cents</u>	<u>3.93 cents</u>
Diluted		<u>N/A cents</u>	<u>3.93 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

		30 June 2001 (Unaudited) <i>HK\$'000</i>
	<i>Notes</i>	
Revaluation surplus	13	2,427,597
Release of revaluation surplus	13	<u>(72,673)</u>
Net gains/(losses) not recognised in the profit and loss account		2,354,924
Net profit from ordinary activities attributable to shareholder	13	<u>110,195</u>
Total recognised gains and losses		<u><u>2,465,119</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 June 2001**

		30 June 2001	31 Dec 2000
	<i>Notes</i>	(Unaudited)	(Audited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets		100,951	103,210
Investment properties		2,062,142	1,075,271
Properties under development		6,709,685	5,391,866
Interests in associates		1,460,230	1,309,515
Mortgage and unsecured loans receivable		76,591	169,357
Long term investments		103,711	103,711
Negative goodwill	9	<u>(1,280,183)</u>	<u>–</u>
		<u>9,233,127</u>	<u>8,152,930</u>
CURRENT ASSETS			
Mortgage and unsecured loans receivable		14,893	12,965
Short term investments		81,844	96,142
Inventories		10,442	19,579
Properties held for sale		735,926	468,538
Land bank assembly in progress		201,758	234,845
Trade receivables	10	282,557	139,685
Other receivables		291,523	364,088
Cash and cash equivalents		<u>223,963</u>	<u>158,387</u>
		<u>1,842,906</u>	<u>1,494,229</u>
CURRENT LIABILITIES			
Trade payables	11	71,819	157,202
Tax payable		26,527	53,661
Other payables		100,076	111,362
Interest-bearing loans, overdrafts and other borrowings		324,414	618,885
Construction loans		223,482	107,129
Loans from related company		<u>52,807</u>	<u>22,890</u>
		<u>799,125</u>	<u>1,071,129</u>
NET CURRENT ASSETS		<u>1,043,781</u>	<u>423,100</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,276,908	8,576,030
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,132,389	1,063,975
Construction loans		824,461	465,786
Amount due to a related company		–	309,936
Amount due to the ultimate holding company		–	103,647
Amount due to a director		414,730	1,179
Deferred tax		<u>22,693</u>	<u>30,902</u>
		<u>2,394,273</u>	<u>1,975,425</u>
MINORITY INTERESTS		<u>776,193</u>	<u>2,257,322</u>
		<u><u>7,106,442</u></u>	<u><u>4,343,283</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)
AT 30 June 2001

		30 June 2001	31 Dec 2000
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CAPITAL AND RESERVES			
Issued capital	12	315,221	254,038
Reserves	13	<u>6,791,221</u>	<u>4,089,245</u>
		<u>7,106,442</u>	<u>4,343,283</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2001

	30 June 2001 (Unaudited) <i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	148,139
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(95,649)
TAX PAID	(4,146)
INVESTING ACTIVITIES	<u>(185,128)</u>
NET CASH (OUTFLOW) BEFORE FINANCING ACTIVITIES	(136,784)
FINANCING ACTIVITIES	<u>237,245</u>
INCREASE IN CASH AND CASH EQUIVALENTS	100,461
Cash and cash equivalents at beginning of period	<u>49,440</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>149,901</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	2,925
Time deposits	221,038
Bank overdrafts	<u>(74,062)</u>
	<u><u>149,901</u></u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

30 June 2001

1. CORPORATE INFORMATION

During the year, the Group was involved in:

- property investment
- property development
- strategic investments, rental and finance
- the manufacture and sale of telecommunications products
- the manufacture and sale of watches

In the opinion of the directors, the ultimate holding company is U.S. Concord (Holding) Limited, which is incorporated in Hong Kong.

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No.25 “Interim financial reporting” issued by the Hong Kong Society of Accountants except that the comparative amounts for the Condensed Consolidated Cash flow Statement and Condensed Consolidated Statement of Recognized Gains and Losses have not been presented as the Company has taken advantage of the transitional provision set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation used in the preparation of the condensed interim financial statements are the same as those used in the annual financial statements for the year ended 31st December, 2000.

Several new accounting standards issued by the Hong Kong Society of Accountants are effective for this financial period. These accounting standards except in relation to SSAP30 “Business Combinations” have no material effect on the condensed interim financial statements.

The principal impact of adopting SSAP30, has been the disclosure of negative goodwill as a deduction from the assets in the balance sheet and the release of negative goodwill through the profit and loss account when the assets acquired are disposed of by the company.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
30 June 2001

3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit before tax by principal activities and geographical area of operations for the period ended 30 June 2000 and 30 June 2001 is as follows:

By activity:

	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	Turnover (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution to profit before tax (Unaudited) HK\$'000	Contribution to profit before tax (Unaudited) HK\$'000
Telecommunications	1,610	21,616	(8,153)	14,178
Property sales	187,140	26,218	121,458	171,010
Consumer products	7,466	6,850	(858)	1,181
Strategic investments, rental and finance	12,720	1,965	(12,800)	(15,403)
	<u>208,936</u>	<u>56,649</u>	99,647	170,966
Share of profits less losses of:				
Jointly controlled entities			–	(153,172)
Associates			515	(1,082)
Profit before tax			<u>100,162</u>	<u>16,712</u>

By geographical area:

	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	Turnover (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Operation profit (Unaudited) HK\$'000	Operation profit (Unaudited) HK\$'000
The People's Republic of China:				
Hong Kong	2,965	3,166	(22,125)	148,025
Elsewhere	205,971	53,483	121,779	22,943
	<u>208,936</u>	<u>56,649</u>	99,654	170,968
Others	–	–	(7)	(2)
	<u>208,936</u>	<u>56,649</u>	<u>99,647</u>	<u>170,966</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
30 June 2001

4. PROFIT FROM OPERATING ACTIVITIES

The profit from operating activities is arrived at after crediting:

	Group	
	30 June 2001	30 June 2000
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income	12,234	1,498
<i>Less: Outgoings</i>	<u>(1,338)</u>	<u>(38)</u>
Net rental income	<u>10,896</u>	<u>1,460</u>
Negative goodwill recognised	<u>32,212</u>	<u>–</u>
	<u>32,212</u>	<u>–</u>
Exchange gains	–	389
<i>Less: Amount capitalised</i>	<u>–</u>	<u>–</u>
Net exchange gains	<u>–</u>	<u>389</u>
Gain on disposal of subsidiary*	<u>99,509</u>	<u>–</u>
and after charging:		
Depreciation	2,450	2,446
<i>Less: Amount capitalised</i>	<u>(1,050)</u>	<u>(651)</u>
Net depreciation	<u>1,400</u>	<u>1,795</u>
Exchange losses	316	2,315
<i>Less: Amount capitalised</i>	<u>(95)</u>	<u>–</u>
Net exchange loss	<u>221</u>	<u>2,315</u>
Operating lease rentals on land and buildings	1,737	2,130
<i>Less: Amount capitalised</i>	<u>(163)</u>	<u>–</u>
Not operating lease rentals on land and buildings	<u>1,574</u>	<u>2,130</u>

* The subsidiary, Recognition Incorporation, holding Suzhou Concord Plaza was disposed of by the Group to an independent third party during the period under review.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
30 June 2001

5. FINANCE COSTS

	Group	
	30 June 2001 (Unaudited) <i>HK\$'000</i>	30 June 2000 (Unaudited) <i>HK\$'000</i>
Interest expenses on:		
Bank loans, overdrafts and other loans wholly repayable within five years	110,436	10,680
less: Interest Capitalised	(90,749)	–
	<u>19,687</u>	<u>10,680</u>

6. TAXATION

	30 June 2001 (Unaudited) <i>HK\$'000</i>	30 June 2000 (Unaudited) <i>HK\$'000</i>
Provision for profits tax in respect of the operating profit of the Company and its subsidiaries for the year		
Hong Kong		
Provision for the year	–	–
Overprovision in prior year	–	(5,897)
	–	(5,897)
Elsewhere		
Deferred tax	(9,724)	(6,240)
	<u>(9,724)</u>	<u>(12,137)</u>
Share of tax attributable to:		
Jointly controlled entities:		
Hong Kong	–	26,984
Deferred tax	–	–
	–	26,984
Associates:		
Hong Kong	377	426
Elsewhere	170	36
	<u>547</u>	<u>462</u>
Tax charge for the year	<u>(9,177)</u>	<u>15,309</u>

Hong Kong profits tax has been calculated by applying the current tax rate of 16% (2000: 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year. Taxes on the profits of subsidiaries operating outside Hong Kong have been calculated at the rates applicable in their respective jurisdictions based on existing legislation, interpretations and practices in respect thereof.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
30 June 2001

7. DIVIDENDS

The directors do not recommend the payment of any interim dividend for the period ended 30th June, 2001 (2000: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share on the net profit from ordinary activities attributable to shareholders of approximately HK\$110,195,000 (2000: HK\$100,034,000) and the weighted average number of 2,645,916,561 ordinary shares (2000: 2,542,943,502) in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2001 was based on the net profit from ordinary activities attributable to shareholders of approximately HK\$110,195,000 (2000: HK\$100,034,000) and the weight average number of 2,645,916,561 ordinary shares (2000: 2,543,096,210) in issue, adjusted for the effects of dilutive potential ordinary shares outstanding during this period. Diluted earnings per share for the period ended 30 June 2001 is the same as the basic earnings per share as there is no dilution effect arising from the share options granted by the Company.

9. NEGATIVE GOODWILL

The amount of negative goodwill, which arose from the privatisation of Concord Land Development Company Limited, is the excess of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition as at the date of the exchange transaction.

The negative goodwill will be realised through the profit and loss account when the properties acquired through the privatisation are disposed of by the Group.

10. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	30 June 2001 (Unaudited) <i>HK\$'000</i>	31 Dec 2000 (Audited) <i>HK\$'000</i>
Outstanding balances with ages:		
Within 3 months	145,800	26,345
Between 4 to 6 months	1,071	3,642
Between 7 to 12 months	34,831	8,476
Over 1 year	100,855	101,222
	<u>282,557</u>	<u>139,685</u>

Credit Terms

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well established customers, where the terms are extended to 90 days or more. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and its credit control teams serve to minimise credit risk. Overdue balances are regularly reviewed by management.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
30 June 2001

11. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	30 June 2001 (Unaudited) <i>HK\$'000</i>	31 Dec 2000 (Audited) <i>HK\$'000</i>
Outstanding balances with ages:		
Within 3 months	–	134,875
Between 4 to 6 months	956	12,956
Between 7 to 12 months	288	5,050
Over 1 year	70,575	4,321
	<u>71,819</u>	<u>157,202</u>

12. ISSUED CAPITAL

	Group and Company	
	Number of ordinary shares of HK\$0.10 each	Amount <i>HK\$'000</i>
<i>Notes</i>		
Authorised:		
Balance at beginning of period	3,000,000,000	300,000
Addition during the period	3,000,000,000	300,000
	<u>6,000,000,000</u>	<u>600,000</u>
Issued and fully paid:		
Balance at beginning of period	2,540,383,337	254,038
Issue during the period (a)	611,824,792	61,183
	<u>3,152,208,129</u>	<u>315,221</u>

- (a) Pursuant to the voluntary share exchange offer by DBS Asia Capital Limited on behalf of Camstar Capital Limited for all issued shares in Concord Land Development Company (other than those shares already owned by Camstar Capital Limited or parties acting in concert with it) on the basis of 2.1538 Shares in the Company for each share in Concord Land, the following new shares were issued and allotted during the period:–

Date of allotment	No. of shares
23-04-2001 – 26-04-2001	399,802,486
02-05-2001 – 28-05-2001	197,440,310
04-06-2001 – 19-06-2001	14,581,996
	<u>611,824,792</u>

Share options

Pursuant to a resolution of the shareholders passed at an extraordinary general meeting on 28 February 1997, the Company adopted a share option scheme (the “Scheme”) under which the directors may, within a period of 10 years commencing on 28 February 1997, grant options to any employee and/or director of the Company or any of its subsidiaries to subscribe for shares in the Company in accordance with the provisions of the Scheme. The subscription price is the higher of 80% of the average of the closing price on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. HK\$1 is payable by the grantee of an option upon the acceptance of the grant of the options.

The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the issued capital of the Company, excluding any share issued upon the exercise of options from time to time. An option may be exercised under the Scheme at any time during a period not exceeding three years commencing one year after the date the option is accepted and expiring on the last day of such period or 10 years from 28 February 1997, whichever is the earlier.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
30 June 2001

12. ISSUED CAPITAL (Continued)

Details of the share options granted pursuant to the Scheme are as follows:

Date of offer to grant	Exercise price per share	Exercise period	Number of options			At end of period
			At beginning of period	Granted during the period	Exercised during the period	
10 June 1997	HK\$3.32	10-06-1998 to 09-06-2001	696,000	–	–	696,000
19 October 1998	HK\$1.09	19-10-1999 to 18-10-2002	2,000,000	–	–	2,000,000
28 May 1999	HK\$0.74	28-05-2000 to 04-06-2003	438,000	–	–	438,000
27 August 2000	HK\$0.86	27-08-2001 to 26-08-2004	12,000,000	–	–	12,000,000
28 June 2001	HK\$0.68	28-06-2002 to 27-06-2005	–	1,500,000	–	1,500,000
			<u>15,134,000</u>	<u>1,500,000</u>	<u>–</u>	<u>16,634,000</u>

The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 16,634,000 additional ordinary shares of HK\$0.10 each for aggregate proceeds of HK\$16,154,840 before the related share issue expenses.

13. RESERVES

	Share premium reserve (Unaudited) HK'000	Capital reserve (Unaudited) HK'000	Capital redemption reserve (Unaudited) HK'000	Property revaluation reserve (Unaudited) HK'000	Expansion & revenue reserve (Unaudited) HK'000	Exchange fluctuation reserve (Unaudited) HK'000	Retained profits (Unaudited) HK'000	Total (Unaudited) HK'000
At 1 January 2000	2,158,390	(1,441,653)	7,905	976,125	8,237	(143,830)	2,524,071	4,089,245
Premium on issue of shares pursuant to the voluntary conditional share exchange offer	237,386							237,386
Arising from retranslation of financial statements of overseas subsidiaries, associates and jointly controlled entities						(529)		(529)
Profit for the period							110,195	110,195
Surplus on revaluation of property				2,427,597				2,427,597
Release of revaluation surplus on disposal of investment property				(72,673)				(72,673)
At 30 June 2001	<u>2,395,776</u>	<u>(1,441,653)</u>	<u>7,905</u>	<u>3,331,049</u>	<u>8,237</u>	<u>(144,359)</u>	<u>2,634,266</u>	<u>6,791,221</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
30 June 2001

14. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, during the period, the Group had transactions with the following related parties:

	<i>Notes</i>	30 June 2001 (Unaudited) <i>HK\$'000</i>	31 Dec 2000 (Audited) <i>HK\$'000</i>
(i) Various income and expenses			
Interest paid to Fine Tower Associates Limited	(a)	12,626	28,599
Interest paid to Ocean Rich Limited	(b)	–	5,288
Interest paid to Gain Time Holding Limited	(c)	12,142	7,979
Management fees receivable from jointly-controlled entities	(d)	–	2,290
Interest income from a related company	(e)	39	882
Interest expense payable to a related company	(f)	<u>394</u>	<u>38</u>

- (a) The interest paid relates to a long term loan of HK\$224 million borrowed from Fine Tower Associates Limited, a related company. Mr. Wong Sai Chung, a director of the Company, is a director and controlling shareholder of the related company. The interest is charged based on the prevailing market interest rates.
- (b) The interest paid relates to a loan of HK\$100 million borrowed from Ocean Rich Limited, a related company, which has been repaid in July 2000. Mr. Wong Sai Chung, a director of the Company, is a director and controlling shareholder of the related company. The interest is charged based on the prevailing market interest rates.
- (c) The interest paid relates to a loan of HK\$134 million borrowed from Gain Time Holding Limited, a related company. Mr. Wong Sai Chung, a director of the Company, is a director and controlling shareholder of the related company. The interest is charged based on the prevailing market interest rates.
- (d) The management fee income relates to the administration and management services provided to jointly-controlled entities. The income is based on 1% of the gross proceeds of the property sales.
- (e) The interest income was generated from the amounts held by a related company, which is a bank. The interest rates on the bank accounts are similar to those given to other customers of the bank.
- (f) The interest expense was derived from a loan granted by a related company, which is a bank. The interest rate is similar to that charged to other customers of the bank.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)
30 June 2001

15. OTHER COMMITMENTS

	30 June 2001 (Unaudited) <i>HK\$'000</i>	31 Dec 2000 (Audited) <i>HK\$'000</i>
Annual commitments payable in the following year under non-cancellable operating leases for land and buildings expiring:		
Within one year	2,786	–
In the second to fifth years, inclusive	–	2,786
After five years	<u>848</u>	<u>943</u>
	3,634	3,729
Other commitments expiring after five years	<u>1,069</u>	<u>1,127</u>
	<u><u>4,703</u></u>	<u><u>4,856</u></u>

The other commitments mainly represent annual sub-contracting fees payable to Chinese joint venture parties.

The Company had no operating lease or other commitments as at 30 June 2001 (2000: Nil).

16. CONTINGENT LIABILITIES

	30 June 2001 (Unaudited) <i>HK\$'000</i>	31 Dec 2000 (Audited) <i>HK\$'000</i>
Guarantees of banking facilities granted to:		
Associates	<u>6,600</u>	<u>6,600</u>
	<u><u>6,600</u></u>	<u><u>6,600</u></u>

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified on the face of the consolidated profit and loss account and the Balance Sheet due to the adoption of the new requirements under the revised statement of the Standard Accounting Practice I (“Presentation of Financial Statement”).

18. APPROVAL OF THE FINANCIAL STATEMENTS

The condensed financial statements were approved by the board of directors on 24 September 2001.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2001, the interests of the directors and their associates in the equity or debt securities of the Company as recorded in the register maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:-

Name of Director	Nature of Interest	Number of Shares
Wong Sai Chung	Corporate (<i>note 1</i>)	1,851,734,762
Wong Sai Wa	Personal	672,970
Kwan Kai Cheong	Personal and family	4,956,239
Wong Siu Man	Corporate (<i>note 2</i>)	2,628,778
Tam Wing Tak	Personal and Corporate (<i>note 3</i>)	672,970

Note 1: Max Asialines Limited and Sanote Investments Limited, which hold 809,600,592 and 394,060,845 shares respectively in the Company, are wholly-owned subsidiaries of U.S. Concord (Holding) Limited, which in turn is controlled by Wong Sai Chung. Skyport Investments Limited which holds 400,000,000 shares, is a wholly-owned subsidiary of Cebu Blue Limited. Cebu Blue Limited, which holds 57,017,311 shares, is a wholly-owned subsidiary of Concord Oil Group Limited, which is also controlled by Wong Sai Chung. In addition, Beaujet Development Limited and Gain Time Holdings Limited, which hold 180,011,279 and 11,044,735 shares respectively in the Company, are both controlled by Wong Sai Chung.

Note 2: Win System Holdings Limited, which holds 2,628,778 shares in the Company, is controlled by Wong Siu Man. In the course of privatisation of Concord Land Development Company Limited, 452,298 shares in the Company will be issued to Wong Siu Man pursuant to the disposal undertaking given to Camstar Capital Limited by reference to the same share exchange ratio as provided under the voluntary conditional share exchange offer by DBS Asia Capital Limited on behalf of Camstar Capital Limited for all issued shares in Concord Land Development Company Limited (other than those shares already owned by Camstar Capital Limited or parties acting in concert with it).

Note 3: Smark Eagle Holdings Ltd., which holds 452,298 shares in the Company, is controlled by Tam Wing Tak.

Save as disclosed herein, none of the directors and their associates had any interest in the equity or debt securities of the Company as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

As at 30 June 2001, as recorded in the register kept under Section 29 of the SDI Ordinance, the directors named below had outstanding share options granted by the Company:

Share options outstanding as at 30 June 2001	Date granted	Period during which rights exercisable	Exercise price per Share
<i>Mr. Wong Sai Wa</i>			
1,000,000	19/10/1998	19/10/1999 – 18/10/2002	HK\$1.09
50,000	05/06/1999	05/06/2000 – 04/06/2003	HK\$0.74
5,000,000	27/08/2000	27/08/2001 – 26/08/2004	HK\$0.86
<i>Mr. Kwan Kai Cheong</i>			
10,000	07/07/1997	07/07/1998 – 06/07/2001	HK\$3.32
1,000,000	19/10/1998	19/10/1999 – 18/10/2002	HK\$1.09
16,000	01/06/1999	01/06/2000 – 31/05/2003	HK\$0.74
5,000,000	24/08/2000	24/08/2001 – 23/08/2004	HK\$0.86
<i>Mr. Zhang Liping</i>			
1,500,000	28/06/2001	28/06/2002 – 27/06/2005	HK\$0.68
<i>Miss Wong Siu Man</i>			
50,000	07/06/1999	07/06/2000 – 06/06/2003	HK\$0.74
1,000,000	27/08/2000	27/08/2001 – 26/08/2004	HK\$0.86
<i>Mr. Tam Wing Tak</i>			
1,000,000	27/08/2000	27/08/2001 – 26/08/2004	HK\$0.86

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or its associated corporations granted to the Company's directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, no person, other than those directors of the Company, or the Company beneficially owned by Mr. Wong Sai Chung, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2001, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

CODE OF BEST PRACTICE

None of the Directors 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 30 June 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that independent non-executive directors of the Company are not appointed for specific terms as they are subject to retirement and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2001 of the Company now reported on.

FINANCIAL REVIEW

During the period under review, with ample resources and stable cashflow, the Group was able to arrange its financial activities appropriately.

Movement in the balance of fixed assets was mainly due to the adjustment to the account as a result of the privatisation of Concord Land.

FINANCIAL RESOURCES AND GEARING RATIO

The Group's operation was primarily financed with its cash revenues derived from operating activities and bank loans. As at 30 June 2001, the Group's total borrowings amounted to HK\$2.51 billion, including loans for construction in progress of HK\$1.04 billion and bank loans of HK\$1.47 billion, about 21.9% of the total loan will become mature within one year. In addition, the balance of total loan, approximately 78.1% will fall due within the period ranging from the second year to the five year inclusively. The portion of unsecured loans represented 52.1% of the total loans.

The Group will strive to generally minimise financial costs and consolidate financial positions of its existing and future investments to ensure the best returns for its shareholders.

PRIVATISATION OF SUBSIDIARIES

During the period under review, the Group proceeded with in the privatisation of Concord Land, whereby Pacific Concord issued approximately 610,377,740 ordinary shares in consideration of the acquisition for a 22.49% share interests from the independent shareholders of Concord Land. As at the end of June 2001, the shareholdings of Pacific Concord increased to 97.56%. It is expected that the whole privatisation process will be completed by the end of 2001.

EMPLOYEES

As at 30 June 2001, the Group had 1,793 employees. The Group determined their salaries in accordance with their performances and market situation and provided them with other benefits, including a provident fund scheme, medical scheme and casualty insurance.

BUSINESS REVIEW & PROSPECTS

The success of a business relies on the continuous review of its strategies in the light of the latest economic environment. This is how we survived the Red-chip stock plunge in 1996 and the Asian financial turmoil post-1997. If the global economic crises in 1921 and 1932 were considered "conventional", I would say that the dot-com turmoil in 2000 was unconventional and non-cyclical. This is simply because the size of the dot-com market was highly inflated. More than US\$4,000 billion was invested in the manufacturing and related facilities in just over two years with most of them now unutilized. In addition, the research and production efforts of various information technology and Internet activities have burnt huge amount of financial resources without generating any profit. After the burst of the dot-com bubble, corporations and individuals have to look for new businesses and jobs but it takes time. It would be difficult for the US and Europe to recover from the downturn within a year's timeframe. As regards Hong Kong: the once over-heated property market and other businesses riding on the success of the property sector have, like an outdated production line, cooled off. Hong Kong needs to find its own way to survive. Shareholders may therefore ask about the Group's strategies and businesses and I would like to offer the following answers:

I. Property

1. The land bank of the Group in Hong Kong is now being converted into the following uses:
 - A. Part of the land bank will be involved in a large scale residential development jointly with Sun Hung Kai Properties and others to mitigate the risks associated with being the sole developer;
 - B. Part of the land bank is in the process of being converted to large-scale tourism, shopping and environmental friendly residential projects;

BUSINESS REVIEW & PROSPECTS (Continued)

- C. Other land holdings will be used for certain potentially high-margin businesses;
 - D. Currently constructing two environmental friendly residential projects in Tsuen Wan and Yuen Long.
2. Shanghai today is like Hong Kong twenty years ago. The Shanghai people have higher income and more and more of the 13.5 million population there have started buying property for self-use and/or investment purposes. The average property price there is only 1/8 of Hong Kong's. The secondary market is being developed. Based on the current economic situations in Shanghai, property is likely to be the driving force of the economy there. It is important to recapitulate that the Group has been involved in Shanghai's property market for eight years and the value of our portfolio there could be near RMB10 billion. There is no doubt that the Group has established a solid foundation in the property business in Shanghai, which will generate substantial profit to the group in the coming decade.
3. Before the end of 2001, the Group will launch certain property projects for sale in the market. These include the residential/shopping development project in Tsuen Wan; the residential/shopping development project in Tienhe, Guangzhou (jointly with New World); Shanghai Cannes residential project Phase I (in proximity to the Shanghai Subway Terminal); Shanghai Concord World Phase I residential units (along Nanjing West Road); and Phase I of the Pinklao residential property project (located at the city center of Bangkok, Thailand).

II. Oil

The Group has developed more than 100 gasoline stations (operational and under construction) in China through its associate, Concord Oil. The size of Concord Oil's gasoline station network ranks third in China only after Sinopec and PetroChina.

Over the years, Concord Oil has insisted on a standard and modern design for all the gasoline stations in its network with world class facilities. Concord Oil has also emphasised on quality service. With advanced management system and a highly motivated professional team, Concord Oil has set a new trend for, and has established a highly regarded brand name in, the gasoline station business in China.

Concord Oil is going to benefit from China's entry into the WTO and the continuous domestic economic growth. According to the latest market intelligence and data available, the profit margins of gasoline station business in China have increased substantially. In order to capture the growth potential and increase profitability, Concord Oil plans to augment its network of gasoline stations in China over the next few years in a steady fashion.

III. Information Technology

The Group is developing commercial softwares, particularly the i-Trade software solution for B2B applications and on-line custom declaration solution, which are successfully deployed to the government and corporate sectors in China. The Group will continue to develop and promote the software business and expects it will generate substantial return to our shareholders.

In addition, data storage requirement is surging following the rapid development of information technology in China. The Group is currently deploying storage management solutions to the small-medium-enterprises ("SMEs") sector based on the state-of-the-art Storage Area Network ("SAN") technology provided by IBM. The SAN solution will provide a one-stop fully integrated solution to the SMEs and assist with their e-enabling efforts in anticipation of the entry into the WTO.

By Order of the Board
Wong Sai Chung
Chairman

Hong Kong, 24 September 2001