

Notes to the Condensed Interim Accounts

1 Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 - Interim financial reporting, issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules").

These condensed interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31st December, 2001, except that the Group has adopted the following SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

- a) *SSAP 1 (revised): Presentation of financial statements*
- b) *SSAP 15 (revised): Cash flow statements*
- c) *SSAP 25 (revised): Interim financial reporting*
- d) *SSAP 34: Employee benefits*

The effect to the Group arising from the adoption of these new or revised SSAPs are set out below:

Certain presentational changes have been made upon the adoption of SSAP 1 (revised), SSAP 15 (revised) and SSAP 25 (revised) and no impact on the Group's profit or shareholders' funds.

The effect on the adoption of SSAP 34 does not have any significant impact on the Group's profit or shareholders' funds.

2 Turnover and segment information

The Group is principally engaged in property development and sales, land development and sales, investment property operations, shopping centre operations, hotel operations, restaurant and recreation operations, and the provision of property management.

Turnover represents sales and provisions of services, net of sales tax, made by the Group to third parties in the People's Republic of China (the "PRC").

The Group is organised, in the PRC, into four main business segments:

- Properties and land sales
- Shopping centre operations
- Rental income
- Hotel operations

Other operations of the Group mainly comprise property management, restaurant and recreation operations, none of which are of a sufficient size to be reported separately.

There are no sales or other transactions between the business segments.

2 Turnover and segment information (Continued)

Since all the Group's turnover and operating profit/(loss) are derived from activities in the PRC, no geographical analysis is shown.

An analysis of the Group's turnover and contribution to operating profit/(loss) for the period by principal activities is as follows:

	Six months ended 30th June, 2002					
	Properties and	Shopping	Rental	Hotel	Other	Group
	land sales	centre	income	operations	operations	
Rmb'000	operations	Rmb'000	operations	operations	Rmb'000	
Turnover	120,798	563,281	138,163	31,407	18,195	871,844
Segment results	25,178	35,113	60,497	1,813	(4,451)	118,150
Unallocated costs						(9,182)
Operating profit						108,968
Net finance income						15,218
Share of loss of a jointly controlled entity						(1,393)
Profit before taxation						122,793
Taxation						(29,099)
Profit after taxation						93,694
Minority interests						(1,196)
Profit attributable to shareholders						92,498

	Six months ended 30th June, 2001					
	Properties and	Shopping	Rental	Hotel	Other	Group
	land sales	centre	income	operations	operations	
Rmb'000	operations	Rmb'000	operations	operations	Rmb'000	
Turnover	141,793	641,598	115,759	32,963	37,009	969,122
Segment results	22,073	36,679	46,189	3,717	(5,585)	103,073
Unallocated costs						(5,596)
Operating profit						97,477
Net finance income						17,928
Share of loss of a jointly controlled entity						(714)
Profit before taxation						114,691
Taxation						(15,391)
Profit after taxation						99,330
Minority interests						3,915
Profit attributable to shareholders						103,215

3 Operating profit

Operating profit is stated after crediting and charging the following:

Crediting:

Write back of provision for diminution in value of property held for sale

Charging:

Depreciation

(Profit)/loss on disposal of property, plant and equipment

Six months ended 30th June,

2002 Rmb'000	2001 Rmb'000
—	1,066
15,290	19,080
(76)	41

4 Net finance income

Interest income

- bank deposits

- a third party customer

Total interest income

Interest expenses

- amount due to the holding company

- bank loan

Total interest expenses

Less: amount capitalised in land and properties under development for sales

Net finance income

Six months ended 30th June,

2002 Rmb'000	2001 Rmb'000
14,490	12,693
728	8,138
15,218	20,831
(1,627)	(1,605)
(1,172)	(1,298)
(2,799)	(2,903)
2,799	—
—	(2,903)
15,218	17,928

5 Taxation

No Hong Kong profits tax has been provided as the Group has no taxable profit in Hong Kong for the period (six months ended 30th June, 2001: Nil). The Group is subject to PRC income tax on its taxable profit.

The income tax applicable to the company is 33% effected from 1st January 2002.

On 11th January, 2000, a circular was issued by the State of Council effective from 1st January, 2000, except in the event when there is a change in law and other administrative regulation, all enterprises should be taxed based on the statutory corporate income tax rate of 33% instead of 15%.

PRC income tax
- tax payable for the period
- financial refund

Deferred taxation

6 Dividends

2001 final dividend, paid, of Rmb0.030 (2000 final paid:
Rmb0.025) per share
2002 interim, proposed of Rmb nil per share
(2001 interim, proposed of Rmb nil per share)

At a meeting held on 25th March, 2002, the Board of Directors proposed a final dividend of Rmb0.030 per share for the year ended 31st December, 2001, which was paid on 6th June, 2002 and has been reflected as an appropriation of retained earnings for the six months ended 30th June, 2002.

The Board of Directors has resolved not to declare any interim dividend in respect of the six months ended 30th June, 2002 (six months ended 30th June, 2001: nil).

7 Earnings per share

The Company has no dilutive potential ordinary shares as at 30th June, 2002 and 2001.

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th June, 2002 of Rmb92,498,000 (six months ended 30th June, 2001: Rmb103,215,000) and 1,867,020,000 shares (six months ended 30th June, 2001: 1,867,020,000 shares) in issue during the period.

Six months ended 30th June,

2002 Rmb'000	2001 Rmb'000
30,073	32,475
—	(17,589)
<u>30,073</u>	<u>14,886</u>
(974)	505
<u>29,099</u>	<u>15,391</u>

Six months ended 30th June,

2002 Rmb'000	2001 Rmb'000
56,011	46,675
—	—
<u>56,011</u>	<u>46,675</u>

8 Capital expenditure

Opening net book amount
Additions
Disposals
Depreciation
Closing net book amount

Properties, plant and equipment

30th June, 2002 Rmb'000	31st December, 2001 Rmb'000
3,859,722	3,377,947
139,966	533,025
(714)	(16,915)
(15,290)	(34,335)
<u>3,983,684</u>	<u>3,859,722</u>

9 Trade and other receivables

Included in trade and other receivables are trade debtors and their ageing analysis is as follows:

Within half year
Over half year and within one year
Over one year
Total

30th June, 2002 Rmb'000	31st December, 2001 Rmb'000
62,328	122,623
18,301	3,131
5,175	6,611
<u>85,804</u>	<u>132,365</u>

The credit terms granted to the customers are set out in the sale and purchase agreements and vary from agreements.

10 Trade and other payables

Included in trade and other payables are trade payables and their ageing analysis is as follows:

Within half year
Over half year and within one year
Over one year
Total

30th June, 2002 Rmb'000	31st December, 2001 Rmb'000
79,368	108,816
20,823	10,487
35,498	28,247
<u>135,689</u>	<u>147,550</u>

11 Bank loan

As at 30th June, 2002 and 31st December, 2001, the Group's revolving unsecured bank loan of Rmb40,000,000 is repayable within one year.

12 Share capital

Registered, issued and fully paid:
1,160,000,000 Domestic shares of Rmb1.00 each
707,020,000 H shares of Rmb1.00 each

The Domestic shares and H shares are ranked pari passu in all respects.

30th June, 2002 Rmb'000	31st December, 2001 Rmb'000
1,160,000	1,160,000
707,020	707,020
<u>1,867,020</u>	<u>1,867,020</u>

13 Commitments

(a) Capital commitments in respect of investment properties/properties under development, construction in progress and purchase of equipment and machinery:

Authorised but not contracted for
Contracted but not provided for

30th June, 2002 Rmb'000	31st December, 2001 Rmb'000
173,635	325,100
119,524	—
<u>293,159</u>	<u>325,100</u>

(b) Capital commitments in respect of development costs attributable to land and properties under development for sale:

Authorised but not contracted for
Contracted but not provided for

30th June, 2002 Rmb'000	31st December, 2001 Rmb'000
2,751,589	3,191,598
385,730	348,000
<u>3,137,319</u>	<u>3,539,598</u>

(c) At 30th June, 2002 and 31st December, 2001, the Group had future aggregate minimum rental receivables and payments under non-cancellable operating leases as follows:

Rental receivables

- not later than one year
- later than one year and not later than five years
- later than five years

Rental payables

- not later than one year
- later than one year and not later than five years
- later than five years

30th June, 2002 Rmb'000	31st December, 2001 Rmb'000
150,729	128,865
59,808	69,634
12,680	1,210
<u>15,000</u>	<u>15,000</u>
60,000	60,000
457,500	465,000

14 Related party transactions

The following is a summary of significant related party transactions entered into by the Group which were carried out in the normal course of the Group's business during the period:

	Six months ended 30th June,	
	2002	2001
	Rmb'000	Rmb'000
Transactions with the Holding Company		
- interest expense (note a)	1,627	1,605
- operating lease payment for land (note b)	7,500	7,500
	<hr/> <hr/>	<hr/> <hr/>
Transactions with fellow subsidiaries		
- heating fees paid to 北辰熱力廠 (note c)	7,000	5,450
- design and installation charge paid to 北辰機電發展中心 (note d)	2,991	9,931
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Notes:

- (a) Interest was charged on a loan from Holding Company at the prevailing market rate.
- (b) The Company has entered into a lease agreement with the Holding Company for certain land of the investment properties, hotel property and buildings of the Company. According to the agreement, the rental for the six months ended 30th June, 2002 was Rmb7,500,000 (six months ended 30th June, 2001: Rmb7,500,000).
- (c) The Company has entered into a miscellaneous services agreement, dated 11th April, 1997, with the Holding Company whereby the Holding Company agreed to provide certain services to the Company. The details of these services and pricing basis are as follows:

Security services	Price basis Market Price
Transport services	Cost
Maintenance of roads and open park	Cost
Heating	State Price

These arrangements (other than maintenance of roads and open park which are for a term of approximately 50 years) are valid for a term of ten years from the date of signing of the miscellaneous services agreement.

- (d) The Company has entered into supply contracts for residential area automatic car park garage equipment and technology with a company controlled by the Holding Company. According to the contracts, the design and installation charges paid amounting to Rmb2,991,000.