REVIEW AND OUTLOOK

For the six months ended 30th June, 2002, the Group reported an unaudited consolidated net loss attributable to shareholders of HK$25.5 million, as compared with the net loss of HK$167.9 million recorded for the same period in 2001.

During the period under review, total visitor arrivals to Hong Kong amounted to over 7.5 million, representing a growth of about 12.8% as compared with that in the first six months of 2001, which was largely attributable to the influx of travelers from Mainland China. In this period, average hotel room occupancy rate for all hotels in Hong Kong recorded an increase of about 3.8%. However, due to the price sensitiveness of most Mainland China travelers, which contributed for almost 40% of the total visitor arrivals, the achieved average hotel room rate continued to be under pressure and recorded a decrease of about 11.8%.

For the five Regal Hotels in Hong Kong, an increase of about 7.9% was attained in their combined average occupancy, but due to the competitive environment, the combined average room rate was about 9.3% lower than that in the comparative period last year. The streamlining and cost containment measures implemented were beginning to produce positive results, reflecting in the achievement of a 27.4% improvement in the total gross operating profit for these five hotels during the period.

As part of its asset disposal programme, the Group recently entered into a share purchase agreement with a third party purchaser for the sale of the Group's 100% equity interest in the subsidiary which owns the Regal Constellation Hotel in Toronto, Canada. The completion of the share purchase agreement is subject to, among other things, the results of the due diligence review being satisfactory to the purchaser. The due diligence process is being conducted by the purchaser and will be completed by 31st October, 2002. If the sale progresses, the share purchase agreement is scheduled to be completed in early December 2002. This hotel in Toronto was acquired by the Group in late 1980's at a consideration of CAD110 million. In accordance with the accounting policies of the Group regarding hotel properties, previous downward revaluations and foreign exchange losses in prior years were dealt with in the reserves and will be charged to the profit and loss account on disposal. Though this will not affect the net assets of the Group, if the sale duly takes place as scheduled, it may have an adverse impact on the results of the Group for the current financial year. However, it is expected that net surplus proceeds will be derived after full redemption of the attached bank loan.

The Group presently has a 30% interest in the Stanley development project. Superstructure works on this project are underway and the project is scheduled for completion in two phases from around the second quarter of 2003. On 2nd August, 2002, the Company entered into a conditional sale and purchase agreement with Paliburg Holdings Limited, the immediate listed parent of the Company, for the acquisition by the Group of the 40% interest in the Stanley development project presently owned by the Paliburg group for a consideration of HK$470 million. The consideration was determined with reference to the market valuation of the project as at 31st May, 2002 by an independent professional valuer and is to be satisfied by the issue of approximately 1,958.3 million new shares of the Company at an issue price of HK$0.24 per share. Details of this proposed transaction were contained in the circulars to the shareholders of the Company dated 26th August, 2002.

At the special general meeting of the Company held on 18th September, 2002, this proposed transaction was duly approved by the independent shareholders of the Company. At the subsequent special general meetings of Paliburg and Century City International Holdings Limited, the Company's ultimate listed holding company, held later on the same date, this proposed transaction was also duly approved by their respective independent shareholders. The completion of this transaction is subject to the satisfaction of other conditions including bank consents and listing approval for the new shares to be issued. Subject to fulfillment of the remaining conditions, the transaction is expected to be completed on or before 31st October, 2002.

At the said special general meeting of the Company, the shareholders have also duly approved the Company's capital reorganisation proposal which involves, among other things, the reduction of the issued share capital of the Company by the cancellation of the paid up capital to the extent of HK$0.09 on each ordinary share in issue, and the nominal value of the ordinary share of the Company will be reduced from HK$0.10 to HK$0.01 per share. The details of, including the reasons for, the capital reorganisation proposal were also contained in the said circular to shareholders. Certain procedural and compliance requirements will first have to be met before the capital reorganisation can become effective. The Company will issue further announcement to inform the shareholders of the effective date of the capital reorganisation.

Separately, the Group entered into a standstill agreement with its principal bank creditors on 4th September, 2002 with a view to rescheduling or extending the principal repayments of two outstanding loans aggregating in the principal amount of approximately HK$4,901.6 million, which became effective on 5th September, 2002. The terms of the standstill agreement included, among other things, (i) the provision by the Group of standstill security by the cross collateralisation of certain existing security primarily over the Group's five hotels in Hong Kong and the Group's interest in the Stanley development project and additional security primarily over certain of the Group's operating entities; (ii) waiver by the lenders of previous breach of covenants on maintaining the financial ratios under the loans; (iii) the making by the Group of certain milestone payments during the period when the standstill agreement is effective; and (iv) the lenders agreeing not to enforce any of their rights under the loans for one year unless there is a payment default or the exercise of an early termination right by the majority lenders. Details of the standstill agreement were contained in an announcement issued by the Company dated 10th September, 2002.

With a view to raise additional funds for reduction of bank indebtedness and working capital purposes, the Company entered into a subscription agreement with a third party investor on 12th September, 2002 for the issue of a series of 5% Guaranteed Convertible Bonds due 2004. The Bonds will comprise Firm Bonds in an aggregate principal amount of HK$50 million and Optional Bonds in an additional aggregate principal amount of up to HK$50 million. The Bonds will carry rights to convert into new ordinary shares of the Company at HK$0.10 per share, initially, subject to usual and downward adjustments. The detailed terms and conditions for the issue of the Bonds were set out in an announcement issued by the Company dated 16th September, 2002. The Company intends to seek from the shareholders a mandate for the issue of the new shares which may fall to be issued on conversion of the Optional Bonds and the shareholders will be informed in due course.

As the second half of the year is traditionally the higher season for the hotel industry in Hong Kong, it is anticipated that the operating results of the five Regal Hotels in Hong Kong in the second half should be better than that attained in the period under review. As noted above, the Group has been taking various initiatives with a view to enlarging its asset base, to strengthening its working capital, and to stabilising its financial position by extending or rescheduling its loan commitments. The conclusion of the standstill agreement can be regarded as a positive indication of continuing support by the Group's principal bank creditors. The Group will continue to monitor its assets and liabilities, including its debt levels and the potential for cash flow generation through assets disposal or other appropriate means.

With the anticipated gradual improvement of the overall tourism market in Hong Kong and the concerted efforts of management and staff and all parties concerned, it may reasonably be expected that the Group's local hotels will be able to produce improving performance and positive contributions over the coming years.

By Order of the Board

LO YUK SUI

Chairman

Hong Kong, 23rd September, 2002

INTERIM DIVIDEND

The Directors have resolved not to declare the payment of an interim dividend for the financial year ending 31st December, 2002 (2001 - nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow and Capital Structure

During the period under review, net cash inflow from operating activities totalled HK$89.8 million (2001 – 39.8 million). Net interest payment for the period amounted to HK$122.6 million (2001 – 118.5 million). The Group intends to reduce further the level of interest expense through the disposal of some of its non-core assets and/or equity fund raising exercises.

As at 30th June, 2002, the Group's borrowings net of cash and bank balances amounted to HK$5,073.1 million (31st December, 2001 – HK$5,055.2 million). The Group's gearing ratio based on the total assets of HK$9,909.6 million (31st December, 2001 – HK$9,943.1 million) was about 51% (31st December, 2001 – 51%).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 15 and 16, respectively, to the condensed consolidated financial statements.

The majority of the Group's borrowings are denominated in Hong Kong dollar currency and there is no material foreign exchange exposure. Information in relation to the maturity profile of the Group's borrowings as of 30th June, 2002 has not changed materially from that disclosed in the most recently published annual report of the Company for the year ended 31st December, 2001.

In March 2002, 90 million new ordinary shares were issued by the Company to Taylor Investments Ltd. ("Taylor"), a wholly-owned subsidiary company of Paliburg Holdings Limited, at HK$0.14 per ordinary share following a placement, through a placing agent, by Taylor of 150 million issued ordinary shares in the Company at HK$0.14 per ordinary share. Cash inflow to the Company from the new share issue amounted to approximately HK$12.3 million and was used for general working capital purposes.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations, and currency and interest rate exposures are hedged where circumstances are considered appropriate.

Remuneration Policy

The Group employs approximately 1,700 staff in Hong Kong, 400 staff in Canada and 900 staff in The People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include provident fund scheme as well as medical and life insurance.

The Company adopted in 1990 an Executive Share Option Scheme under which share options are granted to selected eligible executives.

Further information on the Group's principal business operations and outlook is contained in the section above headed "Review and Outlook".

HALF YEAR RESULTS

Condensed Consolidated Profit and Loss Account

	Notes	Six months ended 30th June, 2002 (Unaudited) HK$'million	Six months ended 30th June, 2001 (Unaudited) HK$'million
TURNOVER	3	**481.0**	543.5
Cost of sales		**(366.7)**	(448.6)
Gross profit		**114.3**	94.9
Other revenue	4	**3.2**	18.5
Administrative expenses		**(37.9)**	(35.9)
Other operating expenses, net	5	**(14.0)**	(48.5)
PROFIT FROM OPERATING ACTIVITIES	3	**65.6**	29.0
Finance costs	6	**(93.5)**	(169.9)
Share of profits less losses of:			
Jointly controlled entity		**–**	(26.0)
Associates		**2.5**	(1.7)
LOSS BEFORE TAX		**(25.4)**	(168.6)
Tax	7	**(0.1)**	(0.2)
LOSS BEFORE MINORITY INTERESTS		**(25.5)**	(168.8)
Minority interests		**–**	0.9
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(25.5)**	(167.9)
Loss per ordinary share (HK$):	8		
Basic		**(0.007)**	(0.043)
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2002

	Share capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
At 1st January, 2002	395.1	1,653.8	13.5	1,314.2	2,662.7	(14.8)	(1,461.0)	4,563.5
Issue of shares	9.0	3.6	–	–	–	–	–	12.6
Share issue expenses	–	(0.3)	–	–	–	–	–	(0.3)
Movement in fair value of long term investments	–	–	–	–	11.3	–	–	11.3
Net loss for the period	–	–	–	–	–	–	(25.5)	(25.5)
Release on disposal of long term investments	–	–	–	–	1.7	–	–	1.7
Exchange realignments	–	–	–	–	–	1.8	–	1.8
At 30th June, 2002	**404.1**	**1,657.1**	**13.5**	**1,314.2**	**2,675.7**	**(13.0)**	**(1,486.5)**	**4,565.1**

	Share capital (Unaudited)	Share premium account (Unaudited)	Capital redemption reserve (Unaudited)	Capital reserve (Unaudited)	Revaluation reserves (Unaudited)	Exchange equalisation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million	HK$'million
At 1st January, 2001:								
As previously stated	395.1	1,653.8	13.5	1,193.8	4,069.3	(12.3)	(826.4)	6,486.8
Prior year adjustment (Note)	–	–	–	120.4	–	–	(120.4)	–
As restated	395.1	1,653.8	13.5	1,314.2	4,069.3	(12.3)	(946.8)	6,486.8
Movement in fair value of long term investments	–	–	–	–	(5.3)	–	–	(5.3)
Net loss for the period	–	–	–	–	–	–	(167.9)	(167.9)
Release on disposal of long term investments	–	–	–	–	29.2	–	–	29.2
Exchange realignments	–	–	–	–	–	(0.2)	–	(0.2)
At 30th June, 2001	395.1	1,653.8	13.5	1,314.2	4,093.2	(12.5)	(1,114.7)	6,342.6

Note: The prior year adjustment represented losses arising from impaired goodwill, the accounting treatment of which was disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2001.

Condensed Consolidated Balance Sheet

	Notes	30th June, 2002 (Unaudited) HK$'million	31st December, 2001 (Audited) HK$'million
NON-CURRENT ASSETS			
Fixed assets		**8,492.2**	8,488.1
Interest in a jointly controlled entity		**505.5**	489.7
Interests in associates		**25.5**	16.8
Long term investments	10	**176.8**	33.7
Loans and other long term receivable	11	**79.3**	246.0
Deferred expenditure		**19.5**	23.0
Deposit for acquisition of interest in a hotel property		**–**	5.6
		9,298.8	9,302.9
CURRENT ASSETS			
Properties held for sale		**33.6**	42.7
Hotel and other inventories		**25.5**	25.0
Debtors, deposits and prepayments	12	**519.3**	530.2
Pledged time deposits		**3.8**	3.8
Time deposits		**1.4**	13.3
Cash and bank balances		**27.2**	25.2
		610.8	640.2
CURRENT LIABILITIES			
Creditors and accruals	13	**230.2**	273.2
Tax payable		**8.8**	8.9
Interest bearing bank and other borrowings		**855.6**	748.0
		1,094.6	1,030.1
NET CURRENT LIABILITIES		**(483.8)**	(389.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,815.0**	8,913.0

Condensed Consolidated Balance Sheet *(Cont'd)*

	30th June, 2002 (Unaudited)	31st December, 2001 (Audited)
	HK$'million	**HK$'million**
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,815.0**	8,913.0
NON-CURRENT LIABILITIES		
Interest bearing bank and other borrowings	**(4,249.9)**	(4,349.5)
	4,565.1	4,563.5
CAPITAL AND RESERVES		
Issued capital	**404.1**	395.1
Reserves	**4,161.0**	4,168.4
	4,565.1	4,563.5

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited and restated)
	HK$'million	**HK$'million**
Net cash inflow from operating activities	**89.8**	39.8
Net cash inflow/(outflow) from investing activities	**11.7**	(68.0)
Net cash outflow from financing activities	**(111.7)**	(137.6)
Decrease in cash and cash equivalents	**(10.2)**	(165.8)
Cash and cash equivalents at beginning of period	**42.3**	227.7
Effect of foreign exchange rate changes, net	**0.3**	–
Cash and cash equivalents at end of period	**32.4**	61.9
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**27.2**	27.6
Non-pledged time deposits with original maturity of less than three months when acquired	**1.4**	34.3
Time deposits with original matiurity of less than three months when acquired, pledged as security for general banking facilities	**3.8**	–
	32.4	61.9

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the Hong Kong Statements 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").

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group's audited financial statements for the year ended 31st December, 2001, except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

- SSAP 1 (Revised) : "Presentation of Financial Statements"
- SSAP 11 (Revised) : "Foreign Currency Translation"
- SSAP 15 (Revised) : "Cash Flow Statements"
- SSAP 34 : "Employee Benefits"

A summary of their major effects is as follows:

(a) SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

(b) SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss accounts of subsidiary companies and associates operating in Mainland China and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the current period is not significant.

(c) SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

(d) SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This has had no major impact on these condensed consolidated financial statements.

In addition to the above, included in the long term investments as at 30th June, 2002 are held-to-maturity securities of HK$132.0 million (note 10) which is recorded for the first time in the current period's condensed consolidated financial statements. The accounting policy for these held-to-maturity securities is as follows:

Held-to-maturity securities

Held-to-maturity securities are investments in dated debt securities which the Group has the expressed intention and ability to hold to maturity, and are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any impairment losses which reflect their credit risk.

2. Corporate Update and Basis of Presentation

As more fully explained in the audited consolidated financial statements for the year ended 31st December, 2001, certain of the Group's loan covenants for the maintenance of certain financial ratios, as specified in certain loan agreements, have not been complied with. The total outstanding loans affected in this respect amounted to HK$4,901.6 million as at 30th June, 2002, comprising a syndicated loan of HK$3,822.1 million and a construction loan of HK$1,079.5 million (collectively, the "Loans"). In addition, certain principal repayment installments of the construction loan remained unpaid as at 30th June, 2002.

On 4th September, 2002, the Group entered into a standstill agreement (the "Standstill Agreement") with its principal bank creditors, including the lenders of the Loans (the "Lenders"), which became effective on 5th September, 2002 (the "Effective Date"). Under the terms of the Standstill Agreement:

(i) cross collateralisation of certain existing security and additional security primarily over certain of the Group's operating entities have been provided as standstill security;

(ii) previous breaches of covenants by the Group under the Loans have been waived;

(iii) the Lenders have agreed not to enforce any of their rights under the Loans within one year from the Effective Date or, if earlier, until early termination (exercisable in the event of payment defaults and at any time by the majority Lenders); and

(iv) the Company has agreed to make certain milestone payments during the period when the Standstill Agreement is effective.

The Directors believe that the Standstill Agreement is a positive indication of continuing support from the Group's principal bank creditors. The Standstill Agreement provides the Group with time and financial stability to (i) improve the performance and hence the value of its core hotel assets; (ii) realise other non-hotel related receivables, including the US$45.0 million (approximately HK$351.0 million) deferred consideration plus interest in relation to the Group's disposal of its hotel interests in the United States of America in 1999 (the "Consideration Receivable") (see note 12 for further details); and (iii) implement an asset disposal programme and complete the financing arrangements as further detailed below.

With a view to improving its cash flow and profitability, the Group continues to work on the disposal of certain of its hotels and other non-core assets (the "Asset Disposal Programme"), so as to reduce its debt levels and to direct additional resources to its core hotel operations.

Furthermore, the Group is also considering other financing arrangements, including the raising of additional working capital through equity issues or other financial instruments (the "Financing Arrangements"). In this regard, the Group entered into a subscription agreement with an independent third party investor on 12th September, 2002 for the issue of convertible bonds (the "Subscription Agreement"), convertible into new ordinary shares of the Company, in a principal amount of HK$50 million, with an option to the investor to subscribe, on same terms, for further convertible bonds in an additional principal amount of HK$50 million. Completion of the Subscription Agreement is expected to occur on or before 26th September, 2002, subject to fulfillment of certain conditions precedent.

With respect to a term loan with outstanding principal as at 30th June, 2002 of CAD35.5 million (approximately HK$183.1 million) and secured on the Group's hotel property in Canada (the "Canada Loan"), certain principal repayment installments remained unpaid to date. However, no discretion has been exercised by the lender of the Canada Loan to declare the loan immediately due and repayable. On 3rd September, 2002, the Group entered into a sale and purchase agreement for the disposal of its hotel property in Canada, completion of which is subject to, among other things, results of the due diligence review being satisfactory to the purchaser. If the disposal proceeds to completion which is scheduled for December 2002, net surplus proceeds will be derived after full repayment of the Canada Loan.

Having regard to the Standstill Agreement and on the bases that the recovery of the Consideration Receivable, the implementation of the Asset Disposal Programme and the Financing Arrangements will be successful and hence the milestone payments in the Standstill Agreement will be met, the Directors are satisfied that it is appropriate to (i) prepare the interim condensed consolidated financial statements on a going concern basis; and (ii) classify the Loans as current or non-current liabilities in accordance with the terms in the Standstill Agreement.

3. **Segment Information**

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the hotel ownership and management segment is engaged in hotel operation and the provision of hotel management services;

(b) the property development and investment segment invests in properties for sale and for its rental income potential;

(c) the brewery operations segment represents the Group's brewery operations in the PRC; and

(d) the other segment mainly comprises the Group's securities trading, travel services, restaurant operations, florist and wedding services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following table presents revenue and profit/(loss) for the Group's business segments.

Group

	Hotel ownership and management Six months ended 30th June,		Property development and investment Six months ended 30th June,		Brewery operations Six months ended 30th June,		Others Six months ended 30th June,		Eliminations Six months ended 30th June,		Consolidated Six months ended 30th June,	
	2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m
Segment revenue:												
Sales to external customers	467.2	510.8	–	0.7	9.2	14.0	4.6	18.0	–	–	481.0	543.5
Intersegment sales	0.2	0.5	0.2	0.2	–	–	6.5	8.4	(6.9)	(9.1)	–	–
Total	**467.4**	**511.3**	**0.2**	**0.9**	**9.2**	**14.0**	**11.1**	**26.4**	**(6.9)**	**(9.1)**	**481.0**	**543.5**
Segment results	82.5	67.3	(0.5)	0.5	(7.2)	(6.9)	(3.6)	(7.7)	–	–	71.2	53.2
Interest income and unallocated non-operating and corporate gains											3.3	17.9
Unallocated non-operating and corporate expenses, net											*(8.9)	(42.1)
Profit from operating activities											**65.6**	**29.0**
Finance costs											**(93.5)**	**(169.9)**
Share of profits less losses of:												
Jointly controlled entity	–	–	–	(26.0)	–	–	–	–	–	–	**–**	**(26.0)**
Associates	(0.2)	–	–	–	–	–	2.7	(1.7)	–	–	**2.5**	**(1.7)**
Loss before tax											**(25.4)**	**(168.6)**
Tax											**(0.1)**	**(0.2)**
Loss before minority interests											**(25.5)**	**(168.8)**
Minority interests											**–**	**0.9**
Net l												

* Inclusive of a write back of provision against other loan receivable amounting to HK$10.5 million (note 5).

(b) Geographical segments

The following table presents revenue and profit/(loss) for the Group's geographical segments.

Group

	Hong Kong Six months ended 30th June,		Canada Six months ended 30th June,		PRC Six months ended 30th June,		Eliminations Six months ended 30th June,		Consolidated Six months ended 30th June,	
	2001 (Unaudited) HK$'m	2000 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2000 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2000 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2000 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	2000 (Unaudited) HK$'m
Segment revenue:										
Sales to external customers	423.8	473.4	48.0	55.4	9.2	14.7	–	–	481.0	543.5
Segment results	78.8	57.5	(1.2)	1.4	(6.4)	(5.7)	–	–	71.2	53.2

4. Other Revenue

Other revenue includes the following major item:

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	HK$'million
Interest income	**1.7**	15.6

5. Other Operating Expenses, net

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	HK$'million
Depreciation	**22.9**	22.1
Loss on disposal of long term listed investments	**–**	26.4
Loss on disposal of long term unlisted investments	**1.6**	–
Write back of provision against other loan receivable	**(10.5)**	–
	14.0	48.5

6. Finance Costs

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	HK$'million
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**90.0**	166.4
Amortisation of deferred expenditure	**3.5**	3.5
Total finance costs	**93.5**	169.9

7. **Tax**

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	**HK$'million**
The Group:		
Provision for tax in respect of profits for the period:		
Overseas	**0.1**	0.2

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period (2001 - nil).

Tax on the profits of subsidiary companies operating overseas is calculated at the rates prevailing in the respective jurisdictions in which they operate, based on existing laws, practices and interpretations thereof.

No provision for tax is required for the associates or the jointly controlled entity as no assessable profits were earned by these associates or the jointly controlled entity during the period.

8. **Loss Per Ordinary Share**

The calculation of basic loss per ordinary share is based on the net loss from ordinary activities attributable to shareholders for the period of HK$25.5 million (2001 - HK$167.9 million), adjusted for the unpaid preference dividend for the period of HK$3.4 million (2001 - HK$3.4 million) and on the weighted average of 3,990.2 million (2001 - 3,938.8 million) ordinary shares of the Company in issue during the period.

No diluted loss per ordinary share is presented for the periods ended 30th June, 2001 and 2002, as the exercise of share options and the conversion of preference shares of the Company are anti-dilutive.

9. **Dividend**

The Directors have resolved not to declare the payment of any interim dividend in respect of the ordinary shares for the financial year ending 31st December, 2002 (2001 - nil).

At 30th June, 2002, there was cumulative unpaid dividend in arrears of HK$24.3 million (31st December, 2001 - HK$20.9 million) for the outstanding preference shares. Pursuant to the terms of the preference shares, if preference dividend is six months or more in arrears, the holders of the preference shares will have the right to receive notice of and, unless all such arrears have been paid prior to the time for holding the meeting, to attend and vote at general meetings of the Company. This unpaid dividend has not been incorporated in the interim condensed consolidated financial statements.

10. **Long Term Investments**

Included in the current period balance is a 3-year convertible note with a carrying value of HK$132.0 million issued by a borrower to the Group in settlement of certain promissory notes receivable (note 11). The convertible note is classified as held-to-maturity securities and will otherwise be due in 2005 (the "Initial Maturity Date") (subject to an extension for further 2 years due 2007 (the "Final Maturity Date") upon fulfillment of certain conditions), bears interest at 3% per annum from the date of issue of the note to the Initial Maturity Date and is convertible into shares of the issuer during the period from the Initial Maturity Date to the Final Maturity Date. The accounting policy in respect of held-to-maturity securities is set out in note 1 to these condensed consolidated financial statements.

11. **Loans and Other Long Term Receivable**

Included in the prior year balance were promissory notes receivable in an aggregate amount, net of provision, of HK$168.0 million which were repayable on demand. On 7th March, 2002, a settlement agreement was entered into between the Group and the borrowers, under which the promissory notes together with the interest accrued thereon were settled and satisfied by (i) a cash payment of HK$36.0 million; and (ii) a 3-year convertible note with a face value of HK$132.0 million issued by one of the borrowers (note 10).

12. **Debtors, Deposits and Prepayments**

Included in the balance is an amount of HK$42.2 million (31st December, 2001 - HK$44.1 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30 June, 2002 (Unaudited)	31 December, 2001 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	**37.0**	39.1
Between 4 to 6 months	**2.3**	3.8
Between 7 to 12 months	**4.6**	2.6
Over 1 year	**10.2**	7.2
	54.1	52.7
Provisions	**(11.9)**	(8.6)
	42.2	44.1

Debtors, deposits and prepayments also include a receivable amount of approximately HK$400.1 million, comprising (i) deferred consideration of US$45.0 million (approximately HK$351.0 million) (the "Deferred Consideration") which arose in connection with the Group's disposal of its hotel interests in the United States of America ("USA") in December 1999 (the "Disposal"); and (ii) interest aggregating HK$49.1 million accrued thereon (collectively, the "Consideration Receivable"). Pursuant to the terms of the securities purchase agreement dated 18th November, 1999 (the "SP Agreement") entered into between the Group and the purchaser (the "Purchaser") in respect of the Disposal, the Consideration Receivable was due to be paid by the Purchaser on the second anniversary of the completion date of the Disposal i.e. on 17th December, 2001.

The SP Agreement contains certain indemnifications given by the Group which cover, inter alia, liabilities for third party claims relating to events/conditions which existed prior to the completion of the Disposal (the "Pre-closing Liabilities"). As disclosed in the audited consolidated financial statements for 2001, the Group has been notified by the Purchaser of certain indemnity claims, allegedly related to the Pre-closing Liabilities for third party legal claims, indemnifiable by the Group under the SP Agreement. The Purchaser alleged that the aggregate amount of these potential claims exceeded the Deferred Consideration and also demanded for security from the Group for future potential claims, and has withheld payment to the Group of the Consideration Receivable. The Group has retained an independent law firm to review the litigation cases underlying the third party claims and the related indemnity claims and the demand for security made by the Purchaser. To date, most of the major claims notified by the Purchaser have either been dismissed, resolved or settled for relatively insignificant amounts. Moreover, the Group's legal advisers have also advised the Group that the demand for security by the Purchaser is legally unfounded. The Group intends to initiate appropriate recovery action against the Purchaser based on the claims resolved and/or settled.

Based on the legal advice obtained, additional amount within the Consideration Receivable should be released to the Group as and when further third party legal claims are resolved. However, given the inherent complication associated with any litigation proceedings in the USA, the Directors are currently unable to determine with reasonable certainty the time ultimately required for the recovery of the Consideration Receivable and any legal or settlement costs that may be involved. Accordingly, the Directors are currently unable to determine whether a provision, if any, is required against the Consideration Receivable.

Credit Terms

Trade debtors, which generally have credit terms of 30 to 90 days, are recognised and carried at their original invoiced amounts less provisions for doubtful debts which are made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

13. Creditors and Accruals

Included in the balance is an amount of HK$68.9 million (31st December, 2001 - HK$73.9 million) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30th June,2002 (Unaudited)	31st December,2001 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	**61.1**	67.6
Between 4 to 6 months	**5.4**	3.4
Between 7 to 12 months	**1.0**	1.3
Over 1 year	**1.4**	1.6
	68.9	73.9

14. Related Party Transactions

The Group had the following material related party transactions during the period:

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	HK$'million
Construction work performed by a subsidiary company of Paliburg Holdings Limited ("PHL"), the immediate listed holding company of the Company	**4.8**	30.8
Minimum lease payment under operating leases in respect of land and buildings paid to wholly-owned subsidiary companies of PHL	**4.4**	10.7
Consultancy fees in respect of hotel development and renovation projects paid to a wholly-owned subsidiary company of PHL	**–**	19.1
Advertising, promotion and information technology service fees (including cost reimbursements) paid to an associate	**4.8**	8.2
Management costs allocated from Century City International Holdings Limited ("CCIHL"), the listed ultimate holding company of the Company	**11.5**	14.3
Guarantee given in respect of a banking facility granted to a jointly controlled entity	**990.0**	990.0

The nature and terms of the above related party transactions are similar to those disclosed in the Group's audited consolidated financial statements for the year ended 31st December, 2001.

15. Pledge of Assets

At 30th June, 2002, certain of the Group's long term investments, hotel properties, leasehold properties and equipment, inventories, receivables and time deposits with a total carrying value of HK$9,049.8 million (31st December, 2001 - HK$8,841.1million) and the shares held in a jointly controlled entity were pledged to secure general banking facilities granted to the Group and the jointly controlled entity.

Apart from the above pledge of assets, at 30th June, 2002, the sale proceeds in respect of the Group's properties held for sale were assigned to certain banks to secure a loan facility granted to the Group.

16. Contingent Liabilities

(a) At 30th June, 2002, a corporate guarantee in the amount of HK$990.0 million (31st December, 2001 – HK$990.0 million) had been given by the Company in respect of banking facilities granted to a jointly controlled entity. The amount drawn against these facilities attributable to the Company at the end of the period amounted to HK$787.7 million (31st December, 2001 – HK$753.3 million).

(b) At the balance sheet date, certain employees of the Group had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments upon termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstance specified in the Ordinance. If the termination of such employees met the circumstances required by the Ordinance, the Group's liability at the balance sheet date, after deducting the attributable asset balance of the employer's contribution to the Mandatory Provident Fund, would have increased by approximately HK$14.7 million. No provision has been made for this amount in the interim condensed consolidated financial statements.

(c) As described in note 12 to the interim condensed consolidated financial statements, on 18th November, 1999, the Group entered into a securities purchase agreement (the "SP Agreement") with an independent party (the "Purchaser") with respect to the disposal by the Group to the Purchaser of its interests in hotel ownership and hotel management in the United States of America.

The SP Agreement contains representations, warranties and indemnification given by the Group which are normal and usual for transactions of similar nature. At the date of this report, save for amounts ascertained and provided for in prior years' financial statements, the Directors are unable either to assess the likelihood of the crystallisation of any contingent liabilities or to estimate the amounts thereof with reasonable accuracy.

17. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from 6 months to 3 years. The terms of the leases generally also require the tenants to pay security deposits and, in certain cases, provide for periodic rent adjustments according to the terms under the leases.

At 30th June, 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30th June,2002 (Unaudited)	31st December,2001 (Audited)
	HK$'million	HK$'million
Within one year	**16.0**	20.2
In the second to fifth years, inclusive	**9.6**	18.9
	25.6	39.1

(b) As lessee

The Group leases certain office and shop units and office equipment under operating lease arrangements. Leases for properties are negotiated for terms of 6 months, except for a lease which is negotiated for a term of 18 years and provides for periodic rent adjustments according to the then prevailing market conditions. Leases for office equipment are negotiated for terms ranging between 5 months and 9 years.

At 30th June, 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30th June,2002 (Unaudited)	31st December,2001 (Audited)
	HK$'million	HK$'million
Land and buildings:		
Within one year	**7.7**	7.7
In the second to fifth years, inclusive	**27.6**	27.6
After the fifth year	**18.4**	21.9
	53.7	57.2
Other equipment:		
Within one year	**3.8**	3.9
In the second to fifth years, inclusive	**0.7**	1.2
	4.5	5.1
	58.2	62.3

18. Commitments

In addition to the operating lease commitments detailed in note 17(b) above, the Group had the following outstanding capital commitments:

	30th June, 2002 (Unaudited)	31st December, 2001 (Audited)
	HK$'million	HK$'million
Capital commitments in respect of acquisition of interest in a hotel property in The People's Republic of China:		
Authorised and contracted for	–	3.4
Capital commitments in respect of renovation or improvement of hotel properties:		
Authorised and contracted for	**26.5**	22.2
Authorised, but not contracted for	**38.5**	51.4
	65.0	73.6
	65.0	77.0

19. Post Balance Sheet Events

Subsequent to the balance sheet date, in addition to the events detailed elsewhere in the interim condensed consolidated financial statements, on 2nd August, 2002, the Company entered into a sale and purchase agreement with PHL and Paliburg Development BVI Holdings Limited, a wholly-owned subsidiary company of PHL, for the acquisition of its 40% interest in a property development project at Stanley, Hong Kong, in which the Group has an existing 30% interest (the "Stanley Transfer").

The consideration for the acquisition is HK$470 million which will be satisfied by the issuance of 1,958.3 million ordinary shares at HK$0.24 each. The Stanley Transfer, details of which were contained in a circular dated 26th August, 2002, has been approved by the respective independent shareholders of CCIHL, PHL and the Company at their respective special general meetings held on 18th September, 2002.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2002, the interests of the Directors in the share capital of the Company and its associated corporations as recorded in the register kept under Section 29 of the Securities (Disclosure of Interests) Ordinance were as follows:

(A) Interests in Shares

				Number of Shares Held			
		Name of Director	Class of Shares Held	Personal Interests	Family Interests	Corporate Interests	Total
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary	220,000	–	2,793,736,944 (Notes a & c)	2,793,956,944
			Preference	–	–	3,440 (Note a)	3,440
		Mr. Daniel Bong Shu Yin	Ordinary	1,440,000	–	–	1,440,000
		Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,370,000	–	–	2,370,000
	Name of Associated Corporation						
2.	Century City International Holdings Limited ("CCIHL")	Mr. Lo Yuk Sui	Ordinary	543,344,843	–	1,395,994,246	1,939,339,089
		Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,510,000	–	–	2,510,000
		Mr. Jimmy Lo Chun To	Ordinary	1,659,800	–	–	1,659,800
		Ms. Belinda Yeung Bik Yiu	Ordinary	2,000	–	–	2,000
3.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary	222,765	–	1,373,024,977 (Notes a & b)	1,373,247,742
		Mr. Daniel Bong Shu Yin	Ordinary	1,025,390	–	–	1,025,390
		Mr. Donald Fan Tung	Ordinary	2,718	–	–	2,718
		Mrs. Kitty Lo Lee Kit Tai	Ordinary	100,000	–	–	100,000
		Mr. Jimmy Lo Chun To	Ordinary	284,000	–	–	284,000

	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held Personal Interests	Family Interests	Corporate Interests	Total
4.	8D International (BVI) Limited ("8D-BVI")	Mr. Lo Yuk Sui	Ordinary	–	–	1,000 (Note d)	1,000
5.	8D Matrix Limited ("8D Matrix")	Mr. Lo Yuk Sui	Ordinary	–	–	2,000,000 (Note e)	2,000,000
6.	8D International Limited ("8D")	Mr. Lo Yuk Sui	Ordinary	–	–	10,000 (Note f)	10,000
7.	Argosy Capital Corporation	Mr. Lo Yuk Sui	Ordinary	–	–	1,130,349 (Note a)	1,130,349
8.	Century Win Investment Limited	Mr. Lo Yuk Sui	Ordinary	–	–	9,000 (Note a)	9,000
9.	Cheerjoy Development Limited ("Cheerjoy")	Mr. Lo Yuk Sui	Ordinary	–	–	(Note g)	(Note g)
10.	Chest Gain Development Limited	Mr. Lo Yuk Sui	Ordinary	–	–	7,000 (Note a)	7,000
11.	Chinatrend (Holdings) Limited	Mr. Lo Yuk Sui	Ordinary	–	–	7,500 (Note a)	7,500
12.	Chinatrend (Nankai) Limited	Mr. Lo Yuk Sui	Ordinary	–	–	85 (Note a)	85
13.	Hanoi President Hotel Company Limited	Mr. Lo Yuk Sui	Ordinary	–	–	75 (Note a)	75

	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held Personal Interests	Family Interests	Corporate Interests	Total
14.	Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	–	–	25,000 (Note a)	25,000
15.	Talent Faith Investments Ltd.	Mr. Lo Yuk Sui	Ordinary	–	–	50 (Note a)	50
16.	Villawood Developments Limited	Mr. Lo Yuk Sui	Ordinary	–	–	65 (Note a)	65
17.	Wealth Link Investments Limited	Mr. Lo Yuk Sui	Ordinary	–	–	1 (Note a)	1

Notes:

(a) The shares were held through companies controlled by CCIHL, of which Mr. Lo Yuk Sui is the Chairman and controlling shareholder.

(b) Including the retained balance, i.e. 6,444,444 shares, (the "Retained Shares") of the consideration shares agreed to be sold at HK$4.50 per share for the acquisition of the remaining 51% shareholding interest in The New China Hong Kong Financial Services Limited (now known as Century City Financial Services Limited) by a wholly-owned subsidiary company of CCIHL from a wholly-owned subsidiary company of The New China Hong Kong Group Limited (the "NCHK Company") pursuant to the conditional agreement dated 7th September, 1998 in respect of the said acquisition, which was completed on 17th September, 1998 (the "Completion Date"). The Retained Shares are retained by the CCIHL group until the first anniversary of the Completion Date in connection with the indemnity given by the NCHK Company under the said agreement.

(c) A total of 494,707,200 shares were charged by a wholly-owned subsidiary company of PHL in favour of a trustee, covering the exchange rights of the holders of the Exchangeable Bonds issued by another wholly-owned subsidiary company of PHL. The Exchangeable Bonds are exchangeable into those existing ordinary shares of the Company during the period from 6th April, 1996 to 23rd April, 2001 (which period was extended by 90 days from 23rd January, 2001) at an adjusted effective exchange price of HK$2.0144 per share (cum entitlements as provided in the relevant trust deed).

(d) 400 shares were held through companies controlled by CCIHL and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.

(e) 800,000 shares were held through companies controlled by CCIHL and 1,200,000 shares were held through companies controlled by Mr. Lo Yuk Sui (including 8D-BVI).

(f) 8D is a wholly-owned subsidiary company of 8D Matrix.

(g) A wholly-owned subsidiary company of PHL holds 30% attributable shareholding interest in Cheerjoy through Point Perfect Investments Limited ("Point Perfect") which is a 30% owned associate of such subsidiary company. Point Perfect holds all the issued shares of Cheerjoy, i.e. 2 shares.

(B) Interests in Share Options Granted by the Company

Details of Directors' interests in share options granted by the Company are set out in the section headed "Directors' Interests in and Movements in Share Options granted by the Company" below.

Save as disclosed in the section headed "Directors' Interests in and Movements in Share Options granted by the Company" below, no right has been granted to, or exercised by, any Director of the Company or his spouse and children under 18 years of age, to subscribe for shares in or debentures of the Company during the period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 30th June, 2002, the interests of those persons (other than the Directors) in the share capital of the Company as recorded in the register kept under Section 16 of the Securities (Disclosure of Interests) Ordinance were as follows:

Name of Shareholder	Number of Ordinary Shares Held
CCIHL (Notes i and iii)	2,793,736,944
Century City BVI Holdings Limited (Notes ii and iii)	2,793,736,944
Century City Holdings Limited (Notes ii and iii)	2,793,736,944
PHL (Notes ii and iii)	2,793,736,944
Paliburg Development BVI Holdings Limited (Notes ii and iii)	2,793,736,944
Paliburg International Holdings Limited (Notes ii and iii)	2,390,392,820
Paliburg BVI Holdings Limited (Notes ii and iii)	2,390,392,820
Taylor Investments Ltd. (Note ii)	1,402,111,870
Glaser Holdings Limited ("Glaser") (Notes ii and iii)	533,480,286

Notes:

(i) These shares were shown in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under Interests in Shares of Directors' Interests in Share Capital.

(ii) These companies are subsidiary companies of CCIHL and their interests in the shares of the Company are included in the interests held by CCIHL.

(iii) 494,707,200 shares were charged by Glaser in favour of a trustee, covering the exchange rights of the holders of the Exchangeable Bonds as disclosed under Interests in Shares of Directors' Interests in Share Capital.

DIRECTORS' INTERESTS IN AND MOVEMENTS IN SHARE OPTIONS GRANTED BY THE COMPANY

During the period, details of Directors' interests in and movements in share options granted by the Company pursuant to the Executive Share Option Scheme of the Company (the "Share Option Scheme") approved by its shareholders on 28th June, 1990 are as follows:

			No. of Ordinary Shares under the Options						
Terms of Option		Grantee		Options Outstanding As at 1/1/2002		Lapsed during the Period		Options Outstanding As at 30/6/2002	
(A) Date of Grant:	22/2/1992	Mr. Lo Yuk Sui	Vested:	26,880,000	Notes 1(c) & 2	(26,880,000)	Vested:	–	
Exercise Price per share:	HK$0.7083		Unvested:	–		–	Unvested:	–	
Vesting Period:	Note 1	Mr. Daniel Bong Shu Yin	Vested:	7,200,000	Notes 1(c) & 2	(7,200,000)	Vested:	–	
Exercise Period:	Note 1		Unvested:	–		–	Unvested:	–	
		Mr. Kenneth Ng Kwai Kai	Vested:	8,400,000	Notes 1(c) & 2	(8,400,000)	Vested:	–	
			Unvested:	–		–	Unvested:	–	
		Mr. Donald Fan Tung	Vested:	1,800,000	Notes 1(c) & 2	(1,800,000)	Vested:	–	
			Unvested:	–		–	Unvested:	–	
		Mr. Belinda Yeung Bik Yiu	Vested:	150,000	Notes 1(c) & 2	(150,000)	Vested:	–	
			Unvested:	–		–	Unvested:	–	
		Employees (excluding Directors), in aggregate	Vested:	8,124,000	Notes 1(c) & 2	(8,124,000)	Vested:	–	
			Unvested:	–		–	Unvested:	–	
(B) Date of Grant:	5/8/1993	Mr. Donald Fan Tung	Vested:	960,000		–	Vested:	960,000	
Exercise Price per share:	HK$1.1083		Unvested:	240,000	Note 1(b)	–	Unvested:	240,000	Note 1(b)
Vesting Period:	Note 1	Mr. Belinda Yeung Bik Yiu	Vested:	120,000		–	Vested:	120,000	
Exercise Period:	Note 1		Unvested:	60,000	Note 1(b)	–	Unvested:	60,000	Note 1(b)
(C) Date of Grant:	22/2/1997	Ms. Belinda Yeung Bik Yiu	Vested:	432,000		–	Vested:	540,000	
Exercise Price per share:	HK$2.1083		Unvested:	648,000	Note 1(b)	–	Unvested:	540,000	Note 1(b)
Vesting Period:	Note 1								
Exercise Period:	Note 1								

Notes:

1. Vesting/Exercise Periods of Options:

	On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a)	2 years after Date of Grant	Initial 20%	Initial 20% upon vesting (exercisable until 10 years after Date of Grant)
(b)	3 years to 9 years after Date of Grant	Cumulative 30% to 90% (with 10% additional percentage vested each subsequent year (commencing from 3 years after Date of Grant))	Cumulative 30% to 90% (with 10% additional percentage exercisable each subsequent year (commencing from 3 years after Date of Grant) upon vesting (exercisable until 10 years after Date of Grant))
(c)	$9^1/_2$ years after Date of Grant	100%	100% (exercisable until 10 years after Date of Grant)

2. Lapsed after expiry of the relevant exercise period on 22nd February, 2002.

3. In the absence of a readily available market value, the Directors are unable to arrive at an accurate assessment of the value of the options granted.

Save as disclosed above, during the period, no right has been granted to, or exercised by, the following persons, to subscribe for shares in or debenture of the Company and its subsidiary companies, and no option granted to such persons has been cancelled and lapsed:

(i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) any participant with options granted in excess of the individual limit;

(iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;

(iv) any supplier of goods or services; and

(v) any other participants.

DISCLOSURE PURSUANT TO PRACTICE NOTE 19

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Practice Note 19 ("PN19") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Advances to an Entity (Paragraph 3.2.1 of PN19)

Details of the advances made to Chest Gain Development Limited ("Chest Gain"), a jointly controlled entity owned as to 40% by Paliburg Holdings Limited ("PHL"), 30% by the Company and 30% by China Overseas Land & Investment Limited, which is independent of, and not connected with PHL and the Company, the respective directors, chief executive and substantial shareholders of PHL and the Company and any of their respective subsidiary companies or any of their respective associates (as defined in the Listing Rules), by the Company and its subsidiary companies (the "Group") as at 30th June, 2002 are set out below:

Advances	**Group (HK$'million)**
(A) Principal Amount of Advances	1,201.5
(B) Interest Receivable	162.5
(C) Several Guarantees for:	
(a) Principal Amount of Bank Facilities	990.0
(b) Amount of Bank Facilities Drawndown	787.7
Total: (A)+(B)+(C)(a)	2,354.0
(A)+(B)+(C)(b)	2,151.7

The above advances to Chest Gain in an aggregate sum of HK$1,364.0 million (before a provision of HK$700.0 million representing the Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site (as referred to below) of Chest Gain) were provided by the Group. Such contribution of funds to Chest Gain are provided in the form of shareholders' loans in proportion to the respective shareholding interests of the shareholders of Chest Gain. The advances are unsecured and have no fixed term of repayment, and related interest had been accrued at prime rate up to 31st December, 1998. The provision of financial assistance to Chest Gain is for the purpose of facilitating Chest Gain in the development of its property project at Rural Building Lot No.1138, Wong Ma Kok Road, Stanley, Hong Kong (the "Stanley Site"). The Stanley Site was acquired by Chest Gain at the government land auction held on 3rd June, 1997. The above guarantee was provided by the Company on 28th October, 1997 on a several basis in proportion to its shareholding interests in Chest Gain and was given in respect of the bank loan facilities of HK$3,300.0 million made available to Chest Gain for the purposes of refinancing part of the consideration for the acquisition of the Stanley Site and financing the estimated construction costs required for the luxury residential development at the Stanley Site.

Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 30th June, 2002 provided by the Group to Chest Gain in the respective sums of (a) HK$2,354.0 million (based on the total available amount of the bank facilities) and (b) HK$2,151.7 million (based on the amount of bank facilities drawndown) represented (a) 51.8% and (b) 47.3% of the consolidated net tangible assets of the Company of HK$4,545.6 million (the "Regal NTA"), by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2002.

Financial Assistance provided to and Guarantees given for Affiliated Companies (Paragraph 3.3 of PN19)

Details of the financial assistance provided to and guarantees given for affiliated companies (including Chest Gain) by the Group as at 30th June, 2002 are set out below:

					Guarantee given for Bank Facilities			
						(i)		(ii)
Name of Affiliated Companies		**Principal Amount of Advances (HK$'million)**		**Interest Receivable (HK$'million)**		**Principal Amount of Bank Facilities (HK$'million)**		**Amount of Bank Facilities Drawndown (HK$'million)**
Chest Gain	(A)	1,201.5	(B)	162.5	(C)(i)	990.0	(C)(ii)	787.7
8D International (BVI) Limited	(D)	28.5		–		Nil		Nil
8D Matrix Limited	(E)	0.5		–		Nil		Nil
Bright Future (HK) Limited	(F)	5.6		–		Nil		Nil
			Total:		(A)+(B)+(C)(i)+(D) to (F)			2,388.6
					(A)+(B)+(C)(ii)+(D) to (F)			2,186.3

Relevant details in respect of the financial assistance provided to and guarantees given for Chest Gain are disclosed above under Paragraph 3.2.1 of PN19 of the Listing Rules.

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of the Company, which is involved in information technology businesses in connection with a broadband fibre optic network project in The People's Republic of China and the development and distribution of technologically advanced security and building related systems and software development, and promotions and communications businesses. The remaining shareholding interests in 8D-BVI are indirectly owned as to 10% by CCIHL and 60% by Mr. Lo Yuk Sui. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D-BVI, for the purpose of financing the working capital of 8D-BVI. The advances are unsecured, interest free and have no fixed term of repayment.

8D Matrix Limited ("8D Matrix") is a 30% owned associate of the Company (the Company also holds an additional 6% attributable interest through its holding in 8D-BVI), which is involved in promotions and communications businesses. The remaining shareholding interests in 8D Matrix are owned as to 10% indirectly by CCIHL and 60% indirectly by Mr. Lo Yuk Sui through his associates (as defined in the Listing Rules), including 8D-BVI. The advances were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in 8D Matrix, for the purpose of financing the working capital of 8D Matrix. The advances are unsecured, interest free and have no fixed term of repayment.

Bright Future (HK) Limited ("Bright Future"), a 50% owned associate of the Company, owns a 90% effective equity interest in a foreign enterprise in The People's Republic of China engaged in the operation of a hotel in Qinghai. The remaining 50% shareholding interest in Bright Future and the remaining 10% equity interest in the aforesaid foreign enterprise are owned by third parties respectively, which are independent of, and not connected with the Company, the Directors, chief executive and substantial shareholders of the Company and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances to Bright Future were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Bright Future, for the purpose of funding the working capital requirements of Bright Future. The advances to Bright Future are unsecured, interest free and have no fixed term of repayment.

Calculated on the basis shown above, as at 30th June, 2002, the aggregate amount of financial assistance provided to and guarantees given for affiliated companies by the Group in the respective sums of (a) HK$2,388.6 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK$2,186.3 million (based on the drawndown amount of bank facilities to Chest Gain) represented (a) 52.5% and (b) 48.1% of the Regal NTA.

A pro-forma combined balance sheet of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Pro-forma combined balance sheet (HK$'million)	**Group's attributable interest (HK$'million)**
Non-current assets	4,238.6	1,274.9
Current assets	6.8	2.3
Current liabilities	(133.6)	(40.3)
Non-current liabilities	(8,170.5)	(2,453.4)
Net liabilities	(4,058.7)	(1,216.5)

Loan agreements with covenants relating to specific performance obligation of the controlling shareholders
(Paragraphs 3.7.1 and 3.7.2 of PN19)

Paragraph 3.7.1 of PN19

The agreements for the following loans to the Group impose specific performance obligations on the controlling shareholders of the Company:

		Outstanding Balance of Bank Facilities as at 30th June, 2001 (HK$'million)	Final Maturity of Bank Facilities	Specific Performance Obligations
The Group	(a)	1,079.5	July 2007	Note (i)
	(b)	3,822.1	September 2004	Note (ii)
Total:		4,901.6		

Notes:

(i) Mr. Lo Yuk Sui, the Chairman and the controlling shareholder of CCIHL which owns a 59.2% shareholding interest in PHL (which in turn owns a 69.3% shareholding interest in the Company), and/or members of his immediate family, or a trust or trusts under which they are beneficially interested (collectively, "Mr. Lo") shall not cease to maintain controlling interest (directly or indirectly) in respect of shareholding (as defined under the Listing Rules) and management control of the Company.

(ii) Mr. Lo shall not cease to maintain controlling interest (whether directly or indirectly) in the Company.

Breach of the above specific performance obligations will constitute events of default of the bank facilities. As a result, the bank facilities may become immediately due and payable on demand by the relevant lenders according to the respective terms and conditions of the bank facilities.

Paragraph 3.7.2 of PN19

Details of breach of the terms of the above loan agreements are set out in note 2 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE

The Directors of the Company are not aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by this interim report, in compliance 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 (the "Listing Rules"), except that the independent Non-Executive Directors of the Company were not appointed for specific terms. However, they were appointed to their offices for such terms and subject to retirement in accordance with the provisions of the Bye-laws of the Company.

In compliance with the requirement in the Code of Best Practice of the Listing Rules in respect of the establishment of an audit committee, the Company has formed an Audit Committee, which previously comprised Mr. William Henry Woo (Chairman of the Committee) and Mr. Dominic Lai, both independent Non-Executive Directors of the Company, and Mr. Daniel Bong Shu Yin, a Non-Executive Director of the Company. Following the resignation of Mr. William Woo as the Chairman of the Committee in conjunction with his resignation as a Director of the Company on 21st February, 2002, Mr. Dominic Lai was appointed as the Chairman of the Committee in place of Mr. Woo on 8th April, 2002. In addition, Mr. Thomas Ng Wai Hung, the newly appointed independent Non-Executive Director, became a member of the Committee on 8th April, 2002. The Audit Committee is established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Society of Accountants.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30 June, 2002.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any listed securities of the Company during the period under review.

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors
Regal Hotels International Holdings Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 7 to 24.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. 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 SAS 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of 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.

Fundamental uncertainty - Provision against a receivable

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 12 to the interim financial report concerning the outcome in respect of a receivable of approximately HK$400.1 million as at 30th June, 2002 included in debtors, deposits and prepayments under current assets. The receivable comprised (i) deferred consideration of US$45.0 million (approximately HK$351.0 million) which arose in connection with the Group's disposal of its hotel interests in the United States of America in December 1999 (the "Disposal"); and (ii) interest aggregating HK$49.1 million accrued thereon (collectively, the "Consideration Receivable") which was due to be paid by the purchaser (the "Purchaser") on

17th December, 2001. As more fully explained in note 12 to the interim financial report, the Purchaser alleged that the aggregate amount of certain indemnity claims, relating to litigation cases underlying the third party claims covered by indemnifications given by the Group under the Disposal agreement, exceeded the deferred consideration and also demanded for security from the Group for future potential claims, and hence has withheld payment to the Group of the Consideration Receivable. To date, most of the major claims notified by the Purchaser have either been dismissed, resolved or settled for relatively insignificant amounts. However, the Directors are currently unable to determine with reasonable certainty the time ultimately required for the recovery of the Consideration Receivable and any legal or settlement costs that may be involved. Accordingly, the Directors are currently unable to determine whether a provision, if any, is required against the Consideration Receivable. Details of the circumstances relating to this fundamental uncertainty are described in note 12 to the interim financial report.

Fundamental uncertainties relating to the going concern basis

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 2 to the interim financial report which explain the circumstances giving rise to the fundamental uncertainties relating to:

i. the satisfactory servicing of the milestone payments specified in the standstill agreement dated 4th September, 2002 during the standstill period in relation to two loans aggregating HK$4,901.6 million as at 30th June, 2002;

ii. the successful recovery of the Consideration Receivable;

iii. the outcome of the proposed fund-raising arrangements through equity issues; and

iv. the successful implementation of an asset disposal programme.

The interim financial report has been prepared on a going concern basis, the validity of which depends upon the successful outcome of implementation of the measures noted above. The interim financial report does not include any adjustments that would result from the failure of implementation of such measures. Details of the circumstances relating to these fundamental uncertainties are described in note 2 to 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, 2002.

Ernst & Young
Certified Public Accountants

Hong Kong
23rd September, 2002