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## CORPORATE INFORMATION

### Board of Directors

Chan Kwok Hung (*Chairman*)  
Chan Fut Yan (*Vice Chairman*)  
Cheung Hon Kit (*Executive Vice Chairman*)  
Chau Mei Wah, Rosanna  
Mok Yat Fan, Edmond  
Cheng Yin Ching, Anna (*Finance Director*)  
Wong Pui Fai \*#  
Chan Shu Kin \*#

\* *Independent non-executive director*

# *Audit committee member*

### Company Secretary

Man Kam Ying

### Auditors

Deloitte Touche Tohmatsu

### Solicitors

*Hong Kong*  
Vincent T. K. Cheung, Yap & Co.  
Richards Butler  
Deacons

*Bermuda*  
Appleby Spurling & Kempe

### Principal Bankers

The Agricultural Bank of China  
Bank of China  
Guangdong Development Bank  
China Development Bank  
Citic Ka Wah Bank

### Principal Registrar and Transfer Agent

Butterfield Fund Services (Bermuda) Limited  
(formerly known as Butterfield Corporate Services Limited)  
Rosebank Centre,  
11 Bermudianna Road,  
Pembroke HM08,  
Bermuda

### Sub-Registrar and Transfer Agent in Hong Kong

Computershare Hong Kong Investor Services Limited  
(formerly known as Central Registration Hong Kong Limited)  
Room Nos. 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

### Registered Office

Cedar House,  
41 Cedar Avenue,  
Hamilton HM12,  
Bermuda

### Principal Place of Business in Hong Kong

27th Floor, Paul Y. Centre,  
51 Hung To Road,  
Kwun Tong, Kowloon,  
Hong Kong  
Tel: (852) 2831 8228  
Fax: (852) 2797 2656

### Stock Code

Hong Kong Stock Exchange	149
Reuters	0149.HK
Bloomberg	149 HK

## REVIEW OF OPERATIONS AND RESULTS

The loss attributable to shareholders of the Company and its subsidiaries (the “Group”) for the first half year of 2002 was approximately HK\$73.6 million compared to approximately HK\$38.1 million for the corresponding period in the previous year. The loss was mainly attributed to the provision for impairment on toll highway and properties and the finance costs resulted from the bank borrowings used to finance the construction of the Shenzhen Highway.

The board of directors (the “Board”) of the Company does not recommend the payment of interim dividend for the period (2001:Nil).

### Toll highway operation

In February 2002, the Shenzhen Highway became operational and started to generate recurring revenue. The revenue contributed by the Shenzhen Highway during this period amounted to approximately HK\$25 million.

### Property sale and development

The podium of Paul Y. Plaza will start to generate rental income to the Group from October 2002. Refurbishment work has been carried out to facilitate the soft opening of Shanghai Shiji Lian Hua Supermarket in October 2002. The marketing team of the Group has stepped up their leasing campaign for the remaining areas of the podium.

### Property rental

The leasing business of Shenzhen Development Centre continues to contribute stable recurring income to the Group. The occupancy has been maintained at a steady level.

### Hotel operation

In the first half of 2002, the hotel operation had reported a decrease of 13.9% in turnover when compared with the same period last year. The decrease was a result of the decline in global travelling during the World Soccer Cup 2002, the after September 11th incident effect and the restructuring of food and beverage outlets of the hotel.

### Material acquisition and disposal

In April 2002, the Company entered into an exchange agreement (the “Exchange Agreement”) with Vision Century Corporation Limited, a business partner of the Company. The purchase and sale considerations are approximately HK\$43 million and HK\$43 million respectively. Upon completion of the Exchange Agreement in June 2002, the Group acquired from Vision Century Corporation Limited certain residential properties situated in Tuen Mun, Hong Kong and disposed of the Group’s 15% interest in a residential property development project in Beijing, the PRC. The Group intends to hold those newly acquired properties for resale purpose. The transaction enables the Group to improve its financial liquidity by swapping its non-current assets with liquid assets.

### Proposed group reorganisation

As announced on 26th July, 2002, the Company is undergoing an extensive group reorganisation, the principal elements of which are as follows:

### Placing and subscription of shares

#### Subscription agreement

On 22nd July, 2002, the Company entered into a conditional subscription agreement with Ananda Wing On Travel (Holdings) Limited (“Ananda Wing On”) in relation to a subscription of 1,000,000,000 subscription shares in the Company by Ananda Wing On at an issue price of HK\$0.30 per subscription share amounting in aggregate to a total consideration of HK\$300 million.

**Proposed group reorganisation (cont'd)****Placing agreement**

On 22nd July, 2002, the Company entered into a conditional placing agreement with an independent placing agent on a best efforts basis, in relation to the placing of up to 1,333,333,333 new shares in the Company at an issue price of HK\$0.30 per placing share. The total gross proceeds, if fully placed, are estimated to amount to HK\$400 million.

**Proposed acquisitions****Proposed acquisition of Shropshire Property Limited (“Shropshire”)**

On 22nd July, 2002, the Company entered into a conditional sale and purchase agreement (the “First sale and purchase agreement”) with Ananda Wing On to acquire from Ananda Wing On the entire issued share capital of, and the shareholder’s loan of approximately HK\$44.4 million to, Shropshire for a consideration of approximately HK\$110 million. The consideration will be satisfied by the issue of 366,666,666 new shares in the Company at HK\$0.30 per consideration share. Shropshire has the right to acquire 60% interest in Luoyang Golden Gulf Hotel Co., Ltd.. The principal asset of Luoyang Golden Gulf Hotel Co., Ltd. is Golden Gulf Hotel located in Luoyang, the PRC.

**Proposed acquisition of Rosedale Hotel Group Limited (“Rosedale”)**

On 22nd July, 2002, the Company entered into another conditional sale and purchase agreement (the “Second sale and purchase agreement”) with Paul Y. - ITC Construction Holdings Limited (“Paul Y. - ITC”) to acquire from Paul Y. - ITC the entire issued share capital of, and the shareholder’s loan of approximately HK\$482.5 million to, Rosedale which indirectly owns Best Western Rosedale on the Park located in Causeway Bay, Hong Kong for a cash consideration of HK\$250 million.

**Proposed acquisition of Makerston Limited (“Makerston”)**

On 22nd July, 2002, Clever Basin Holdings Limited, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement (the “Third sale and purchase agreement”) with Hutchison Hotels Holdings (International) Limited (“Hutchison Hotels Holdings”) to acquire from Hutchison Hotels Holdings the entire issued share capital of, and the shareholder’s loan of approximately HK\$605.6 million to, Makerston, which holds a 95% indirect interest in Beijing Harbour Plaza Co., Ltd. for a total consideration of HK\$515 million. The consideration will be satisfied on completion by cash in the amount of HK\$150 million and issue of a promissory note for the principal amount of HK\$365 million. The principal asset of Beijing Harbour Plaza Co., Ltd. is Beijing Harbour Plaza Hotel located in Beijing, the PRC.

Completion of the subscription agreement, the placing agreement, the First and Second sale and purchase agreements is conditional upon, amongst other things, simultaneous completion of each of the other agreements.

The completion of the Third sale and purchase agreement is conditional upon, amongst other things, the simultaneous completion of the subscription agreement and the placing agreement.

**Liquidity and financial resources**

During the first half of 2002, the Group was mainly financed by banking facilities, its internal financial resources and the sale of properties in Hong Kong.

From 31st December, 2001 to 30th June, 2002, short-term borrowings decreased from approximately HK\$28 million to approximately HK\$25 million and long term borrowings decreased from approximately HK\$632 million to approximately HK\$624 million. Total borrowings amounted to HK\$649 million, representing a decrease of 1.7% over total borrowings of HK\$660 million on 31st December, 2001. Over 83% of the Group’s total borrowings were denominated in Renminbi and at fixed interest rates. Borrowings in Renminbi were used to finance the Group’s projects in the PRC. As at 30th June, 2002, the Group’s gearing ratio increased to 1.1 (31.12.2001: 1.0), which is calculated based on long term borrowings of HK\$624 million and total shareholders funds of HK\$560 million. Cash and cash equivalents decreased from approximately HK\$46 million to HK\$20 million. As most of the Group’s bank deposits were denominated in Hong Kong dollars and deposited with banks as short-term deposits, exposure to foreign exchange risk was minimal.

As at 30th June, 2002, certain properties and bank deposits of the Group with an aggregate carrying value of approximately HK\$52 million were pledged to banks to secure general banking facilities granted to the Group.

## Employees and staff benefits

As at 30th June, 2002, the Group had approximately 880 full-time employees in Hong Kong head office and the PRC. The Group provides comprehensive benefits to its employees such as medical insurance for staff in Hong Kong head office.

## Prospects and plans for the future

Subject to the completion of the subscription agreement, the placing agreement, the First, Second and Third sale and purchase agreements and by the approvals of the shareholders of the Company and the Registrar of Companies in Bermuda respectively, the name of the Company will be changed in order to reflect the principal business of our Group. A further announcement will be made on the proposed change of the new company name of the Company as soon as practicable.

After the completion of the above-mentioned group reorganisation exercise, the Group will focus its activities on hotel operations and investments and other leisure-related businesses and therefore will consider to dispose of those non-core businesses of the Group.

## Subsequent event

On 13th September, 2002, the Company and a subsidiary of the Company entered into a memorandum of understanding (the “MOU”) with an independent third party to dispose of the Group’s 60% interest in Shenzhen Highway at a net consideration of approximately HK\$60 million. The MOU is not legally binding and the terms therein are subject to the formal sale and purchase agreement to be entered into between the parties thereto shortly.

## OTHER INFORMATION

### Directors

The directors of the Company during the period and up to the date of this report were:

#### Executive directors

Chan Kwok Hung

Chan Fut Yan

Cheung Hon Kit

Chau Mei Wah, Rosanna

Mok Yat Fan, Edmond

Cheng Yin Ching, Anna

Lee Kim Ying

(Resigned on 15th January, 2002)

#### Independent non-executive directors

Wong Pui Fai

Chan Shu Kin

### Directors’ interests in shares

As at 30th June, 2002, none of the directors nor their respective associates had any interests in any shares of the Company or any of its associated corporations as defined by the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transaction by Directors of Listed Companies.

### Directors’ rights to acquire shares or debentures

On 4th June, 2002, the Company adopted a new share option scheme (the “New Scheme”) and terminated the previous share option scheme adopted on 27th June, 2000 (the “Previous Scheme”) for the purpose of complying with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange. During the six months period ended 30th June, 2002, no options were granted or lapsed nor were there any options being exercised in accordance with the New Scheme or the Previous Scheme.

**Directors' rights to acquire shares or debentures (cont'd)**

As at 30th June, 2002, the following director of the Company had share options granted by an associated corporation of the Company to subscribe for ordinary shares as follows:

**Sing Pao Media Group Limited, an associated corporation of the Company**

Name of director	Date of grant	Number of share options (Note)	Exercise price (HK\$)
Chan Kwok Hung	26/05/2000	125,000	11.40

Note:

The options are exercisable in accordance with the terms of the pre-IPO share option scheme of Sing Pao Media Group Limited at any time during the period commencing 1 year after the date of grant and ending 5 years after the date of grant in accordance with the following schedule:

Period since date of grant	Percentage of shares comprised in options which become exercisable
Year 1	zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon the exercise of share options between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon the exercise of share options between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the share options have not been previously exercised

Save as disclosed above, at no time during the period was the Company or any of its associated corporations a party to any arrangements to enable the directors of the Company, or their spouse and children under the age of 18, to acquire benefits by means of the acquisition of shares, or debentures of the Company or any other body corporate or had exercised any such rights during the period.

**Substantial shareholders**

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

	Number of shares			Percentage of issued share capital	Note
	Direct interest	Deemed interest	Total interest		
China Strategic Holdings Limited ("CSH")	—	893,216,620	893,216,620	65.6%	(a)
China WTO.com Limited ("CWTO")	140,006,620	592,420,000	732,426,620	53.8%	(b)
Expert Commerce Limited	250,000,000	—	250,000,000	18.4%	(b)
Golden Flower Limited	342,420,000	—	342,420,000	25.1%	(b)
Wealthy Gain Limited	160,790,000	—	160,790,000	11.8%	(c)
Ruby Enterprises Limited ("REL")	—	160,790,000	160,790,000	11.8%	(c)

## Substantial shareholders (cont'd)

Notes:

- (a) CSH holds entire beneficial interest in the above list of companies as mentioned in notes (b) and (c) and is accordingly deemed by the SDI Ordinance to be interested in an aggregate of 893,216,620 shares of the Company.
- (b) Expert Commerce Limited, which directly owns 250,000,000 shares of the Company, and Golden Flower Limited, which directly owns 342,420,000 shares of the Company, are wholly-owned subsidiaries of CWTO. CWTO is a wholly-owned subsidiary of CSH and directly owns 140,006,620 shares of the Company. Accordingly, CWTO is deemed by the SDI Ordinance to be interested in an aggregate of 732,426,620 shares of the Company.
- (c) Wealthy Gain Limited, which directly owns 160,790,000 shares of the Company, is a wholly-owned subsidiary of REL which in turn is a wholly-owned subsidiary of CSH. Accordingly, REL is deemed by the SDI Ordinance to be interested in an aggregate of 160,790,000 shares of the Company.

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

## Purchase, sale or redemption of listed shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2002.

## Corporate governance

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not during the six months ended 30th June, 2002, 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 except in relation to Guideline 1 as certain directors frequently traveled abroad for overseas business trips and were unable to attend the board meetings when convened and held and Guideline 7 as non-executive directors are appointed for a specific term but are subject to rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

## Review by audit committee

The Group's unaudited interim financial report for the six months ended 30th June, 2002 has been reviewed by the audit committee which comprises two independent non-executive directors of the Company, namely Messrs. Wong Pui Fai and Chan Shu Kin and by the Company's auditors, Deloitte Touche Tohmatsu.

## Appreciations

The Board of the Company would like to extend its appreciation to Mr. Lee Kim Ying for his past contribution to the Company. Moreover, I take this opportunity to thank our shareholders for their continual support and wish to extend my sincere appreciation for the efforts and loyalty of our staff.

By Order of the Board  
China Land Group Limited  
Chan Kwok Hung  
Chairman

Hong Kong, 25th September, 2002

## 德勤 • 關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中 111 號  
永安中心 26 樓

**Deloitte  
Touche  
Tohmatsu**

### INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF CHINA LAND GROUP LIMITED

*(incorporated in Bermuda with limited liability)*

#### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 9 to 20.

#### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") 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 the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

#### Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2002.

Deloitte Touche Tohmatsu  
Certified Public Accountants

Hong Kong, 25th September, 2002



## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

	NOTES	Six months ended 30th June,	
		2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Turnover		58,416	84,617
Cost of sales		(43,885)	(85,510)
Impairment and revaluation losses		(82,559)	—
Other operating income		2,522	1,318
Administrative expenses		(11,205)	(10,584)
Other operating expenses		(15,612)	(18,548)
Loss from operations	4	(92,323)	(28,707)
Finance costs		(18,909)	(8,456)
Share of result of an associate		(151)	(543)
Loss before taxation		(111,383)	(37,706)
Taxation	5	—	—
Loss before minority interests		(111,383)	(37,706)
Minority interests		37,772	(405)
Net loss for the period		(73,611)	(38,111)
Loss per share	6		
- Basic		HK(0.054)	HK\$(0.034)

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2002

	NOTES	30.6.2002 HK\$'000 (unaudited)	31.12.2001 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties	7	28,272	37,341
Property, plant and equipment	8	1,278,228	1,357,606
Properties under/held for development	9	138,439	137,000
Interest in an associate		—	8,226
Investments in securities		5,012	3,979
Club debenture		713	713
Loans to minority shareholders of subsidiaries		26,954	26,765
		<b>1,477,618</b>	<b>1,571,630</b>
<b>CURRENT ASSETS</b>			
Properties held for sale	10	75,062	32,880
Inventories		1,171	942
Advances to contractors		9,439	9,439
Loan receivable from an investee company	11	—	41,788
Trade and other receivables	12	32,630	24,536
Pledged bank deposits		5,618	8,427
Bank balances and cash		19,826	45,565
		<b>143,746</b>	<b>163,577</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	207,216	199,225
Deposits received		2,502	1,843
Secured bank borrowings - due within one year		25,281	28,090
		<b>234,999</b>	<b>229,158</b>
<b>NET CURRENT LIABILITIES</b>			
		<b>(91,253)</b>	<b>(65,581)</b>
		<b>1,386,365</b>	<b>1,506,049</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	212,537	212,537
Reserves		347,733	422,463
		<b>560,270</b>	<b>635,000</b>
<b>MINORITY INTERESTS</b>			
		<b>81,618</b>	<b>119,390</b>
<b>NON-CURRENT LIABILITIES</b>			
Deposits received		76,638	76,638
Amounts due to fellow subsidiaries	15	109,193	116,561
Secured bank borrowings - due after one year		514,981	514,981
Loans from minority shareholders of subsidiaries		43,665	43,479
		<b>744,477</b>	<b>751,659</b>
		<b>1,386,365</b>	<b>1,506,049</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2001	177,281	25,800	35,438	1,843,324	1,534	(1,143,929)	939,448
Exchange adjustment arising from translation of financial statements of subsidiaries outside Hong Kong not recognised in the condensed consolidated income statement	—	—	—	—	37	—	37
Net loss for the period	—	—	—	—	—	(38,111)	(38,111)
At 1st July, 2001	177,281	25,800	35,438	1,843,324	1,571	(1,182,040)	901,374
Exchange adjustment arising from translation of financial statements of subsidiaries outside Hong Kong not recognised in the condensed consolidated income statement	—	—	—	—	973	—	973
New issue of shares	35,256	—	—	—	—	—	35,256
Premium arising on new issue of shares	—	55,144	—	—	—	—	55,144
Share issue expenses	—	(2,149)	—	—	—	—	(2,149)
Net loss for the period	—	—	—	—	—	(355,598)	(355,598)
At 31st December, 2001	212,537	78,795	35,438	1,843,324	2,544	(1,537,638)	635,000
Exchange adjustment arising from translation of financial statements of subsidiaries outside Hong Kong not recognised in the condensed consolidated income statement	—	—	—	—	(1,119)	—	(1,119)
Net loss for the period	—	—	—	—	—	(73,611)	(73,611)
At 30th June, 2002	212,537	78,795	35,438	1,843,324	1,425	(1,611,249)	560,270

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

	Six months ended 30th June,	
	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
Net cash used in operating activities	(9,690)	(15,259)
Net cash used in investing activities	(4,750)	(107,506)
Net cash (used in) from financing activities	(10,488)	109,341
Net decrease in cash and cash equivalents	(24,928)	(13,424)
Cash and cash equivalents at the beginning of the period	45,565	52,637
Effect of foreign exchange rate changes	(811)	37
Cash and cash equivalents at the end of the period, representing bank balances and cash	19,826	39,250

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the financial statements, but has no material effect on the results for the current or prior accounting periods. Accordingly, no prior adjustment is required.

#### Cash flow statements

In the current period, the Group adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under separate headings, are classified as investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude cash balances held for investment purposes/short-term loans that are financing in nature. Cash flows of subsidiaries outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The adoption of this revised SSAP has resulted in the change of format of presentation and no material effect on the results for the current period or prior accounting period.

#### Employee benefits

In the current period, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group’s defined benefit retirement benefit plan. The adoption of this SSAP has not had any material effect on the results for the current period or prior accounting period.

## 3. SEGMENTAL INFORMATION

**Business segments**

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's revenue and contribution to operating results by business segment is presented below:

## Six months ended 30th June, 2002

	Toll highway operation HK\$'000 (Note)	Property sale and development HK\$'000	Property rental HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>							
External sales	25,194	8,860	2,910	21,452	2,522	—	60,938
Inter-segment sales	—	—	—	—	552	(552)	—
<b>Total revenue</b>	<b>25,194</b>	<b>8,860</b>	<b>2,910</b>	<b>21,452</b>	<b>3,074</b>	<b>(552)</b>	<b>60,938</b>
<b>RESULT</b>							
Segment result	(70,289)	(2,695)	(7,964)	(1,027)	2,217	—	(79,758)
Unallocated corporate expenses							(12,565)
Loss from operations							(92,323)
Finance costs							(18,909)
Share of results of an associate							(151)
<b>Loss before taxation</b>							<b>(111,383)</b>

## Six months ended 30th June, 2001

	Toll highway operation HK\$'000 (Note)	Property sale and development HK\$'000	Property rental HK\$'000	Hotel operation HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>							
External sales	—	56,703	2,989	24,925	1,318	—	85,935
Inter-segment sales	—	—	—	—	944	(944)	—
<b>Total revenue</b>	<b>—</b>	<b>56,703</b>	<b>2,989</b>	<b>24,925</b>	<b>2,262</b>	<b>(944)</b>	<b>85,935</b>
<b>RESULT</b>							
Segment result	—	(14,093)	1,124	3,826	(6,741)	—	(15,884)
Unallocated corporate expenses							(12,823)
Loss from operations							(28,707)
Finance costs							(8,456)
Share of results of an associate							(543)
<b>Loss before taxation</b>							<b>(37,706)</b>

Note: In September 2002, the Group entered into a memorandum of understanding to dispose of the interest in a subsidiary engaged in toll highway operation. Upon the completion of the disposal, the Group will have no interest in the business of toll highway operation.

### 3. SEGMENTAL INFORMATION (cont'd)

#### Geographical segments

An analysis of the Group's revenue and contribution to operating results by geographical location of its customers is presented below:

	Total revenue		Contribution to operating results	
	Six months ended 30th June,			
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
People's Republic of China ("PRC"), other than Hong Kong	49,634	48,193	(81,854)	(765)
Hong Kong	9,087	37,742	(121)	(8,078)
Others	2,217	—	2,217	(7,041)
	60,938	85,935	(79,758)	(15,884)
Unallocated corporate expenses			(12,565)	(12,823)
Loss from operations			(92,323)	(28,707)

### 4. LOSS FROM OPERATIONS

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Depreciation and amortisation	18,439	955
Less: amount capitalised in construction in progress	—	(181)
	18,439	774
Unrealised (gain) loss on investments in securities	(1,114)	6,741

### 5. TAXATION

No provision of Hong Kong Profits Tax or taxation in other jurisdictions has been made in the condensed consolidated financial statements as the Group had no assessable profit for both periods.

### 6. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$73,611,000 (2001: HK\$38,111,000 for the six months ended 30th June, 2001) and on the 1,362,419,295 ordinary shares (1,136,419,295 ordinary shares for the six months ended 30th June, 2001) in issue during the period.

No diluted loss per share is presented for either period as there are no dilutive ordinary shares in issue.

**7. MOVEMENTS OF INVESTMENT PROPERTIES**

Revaluation deficit of approximately HK\$ 9,069,000 was made by the directors with reference to market price.

**8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the period, the construction of the toll highway in the PRC was completed and the Group commenced its toll highway operation. However, the management intended to refocus the Group's principal business to hotel operation. Accordingly, the Group reviewed the carrying amount of toll highway using the estimated selling prices. An impairment loss of approximately HK\$72,305,000 representing the difference between the estimated selling prices and the carrying amount was identified and charged to the condensed consolidated income statement.

During the period, the Group also incurred expenditure of approximately HK\$8 million on other property, plant and equipment.

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

**9. ADDITIONS TO PROPERTIES UNDER/HELD FOR DEVELOPMENT**

During the period, the Group incurred expenditure of approximately HK\$1 million on the property development projects in the PRC.

**10. MOVEMENTS IN PROPERTIES HELD FOR SALE**

During the period, properties held for sale of approximately HK\$43 million were acquired as a result of the acquisition of subsidiaries. The directors identified an impairment loss of approximately HK\$1,185,000 on properties held for sale with reference to estimated net selling price.

**11. LOAN RECEIVABLE FROM AN INVESTEE COMPANY**

During the period, the loan receivable from an investee company of approximately HK\$42 million was disposed of as a result of the disposal of a subsidiary.

**12. TRADE AND OTHER RECEIVABLES**

The Group has a policy of agreeing credit terms with each of its trade customers in the light of the individual customers' merit.

Included in trade and other receivables are trade receivables of HK\$3,630,000 (31.12.2001: HK\$2,610,000) and their aging analysis is as follows:

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
0 to 90 days	2,550	1,992
91 to 180 days	672	618
Over 180 days	408	—
	<b>3,630</b>	<b>2,610</b>

**13. TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables of HK\$3,034,000 (31.12.2001: HK\$2,105,000), all of which are aged within 90 days.



## 14. SHARE CAPITAL

	Number of shares	Value HK\$'000
<b>Authorised:</b>		
Ordinary shares of US\$0.02 each		
At 1st January, 2001 and 1st July, 2001 and 31st December, 2001	1,900,000,000	296,400
Increase during the period (Note a)	1,100,000,000	171,600
At 30th June, 2002	3,000,000,000	468,000
<b>Issued and fully paid:</b>		
Ordinary shares of US\$0.02 each		
At 1st January, 2001 and 1st July, 2001	1,136,419,295	177,281
Issue of new shares (Note b)	226,000,000	35,256
At 31st December, 2001 and 30th June, 2002	1,362,419,295	212,537

## Notes:

- (a) Pursuant to a resolution passed at a special general meeting on 31st May, 2002, the authorised share capital of the Company was increased from US\$38,000,000 to US\$60,000,000 by the creation of an additional 1,100,000,000 shares of US\$0.02 each.
- (b) 226,000,000 existing ordinary shares of the Company of US\$0.02 each held by China Strategic Holdings Limited ("CSH") were placed to independent professional inventors at a price of HK\$0.40 per share on 10th July, 2001 and 226,000,000 new ordinary shares of the Company were issued and allotted to CSH at HK\$0.40 per share on 11th July, 2001 under a placing and subscription agreement entered into on 4th July, 2001. All the shares issued during the period rank pari passu in all respects with the then existing ordinary shares.

## 15. AMOUNTS DUE TO FELLOW SUBSIDIARIES

During the period, the Group repaid the amount of approximately HK\$7 million to its fellow subsidiaries. The amounts bear interest at prevailing market rates and will be payable after one year from the balance sheet date.

## 16. CAPITAL COMMITMENTS

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Capital expenditure contracted for but not provided in the financial statements relating to:		
- properties under/held for development	27,036	26,902
- properties under construction	134,974	129,393
	162,010	156,295

## 17. OPERATING LEASE COMMITMENTS

### The Group as lessee

The Group made minimum lease payments of approximately HK\$1,187,000 (HK\$817,000 for the six months ended 30th June, 2001) under operating leases during the period in respect of office properties.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Within one year	1,273	1,999
In the second to fifth year inclusive	—	318
	<b>1,273</b>	<b>2,317</b>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years.

### The Group as lessor

Property rental income earned during the period was approximately HK\$5,973,000 (HK\$5,934,000 for the six months ended 30th June, 2001). All of the properties held have committed tenants for the next three to seven years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Within one year	10,390	9,479
In the second to fifth year inclusive	20,167	18,633
Over five years	639	994
	<b>31,196</b>	<b>29,106</b>

## 18. CONTINGENT LIABILITIES

- (a) In August 1999, the architect of Paul Y. Plaza located in Guangzhou, the PRC, initiated legal proceedings against Eventic Limited (“Eventic”), an indirect wholly owned subsidiary of the Company, in respect of claim for payment of service fees and other expenses of HK\$0.6 million and HK\$6.6 million respectively. Eventic engaged the architect for architectural services in respect of Paul Y. Plaza.

Eventic has vigorously defended the claims and made a counterclaim for loss and damages suffered due to insufficient supervision services provided by the architect.

In view of the counterclaim made by Eventic, the architect amended its total claims to HK\$7.7 million. At the date of this report, the proceedings are still ongoing and are the stage of the exchange of documents. After taking into consideration the advice of the Group’s legal counsel, the directors consider the outcome of the proceedings will not have material adverse financial effect on the Group.

## 18. CONTINGENT LIABILITIES (cont'd)

- (b) In July 2001, Huizhou World Express Property Ltd. ("Huizhou World Express"), an indirect non-wholly owned subsidiary of the Company as the developer, initiated legal proceedings against the Huizhou Municipal Government of the Guangdong Province, the PRC, in its capacity as the guarantor of Huizhou Jia Cheng Group Co., Ltd. ("Huizhou Jia Cheng"), the main contractor in the construction of Hongkong Macau Square, under a guarantee letter dated 7th September, 1994 executed by the Huizhou Municipal Government in favour of Huizhou World Express. The amount claimed by Huizhou World Express was RMB243.6 million, being the construction costs of RMB167.5 million paid by Huizhou World Express to Huizhou Jia Cheng together with the damages for the amount of RMB76.1 million.

At the date of this report, Huizhou World Express is waiting for the hearing of the case. At this stage, the outcome cannot be predicted with certainty. As the total construction costs of Hongkong Macau Square has already been written off, the directors are of the opinion that there is unlikely to be any material adverse financial impact on the Group in the event that the final judgement is not in favour of Huizhou World Express.

- (c) In June 2002, a sub-contractor of Paul Y. Plaza initiated legal proceedings against Eventic in respect of a claim for payment of sub-contract works for approximately RMB5.2 million.

Eventic has vigorously defended the claim as there was no contractual relationship between Eventic and the sub-contractor. Eventic has also made a counterclaim and/or set off against the sub-contractor for the balance of unused advance payment and overpayment of approximately RMB4.2 million and RMB0.8 million respectively paid to the sub-contractor.

At the date of this report, the proceedings are still ongoing. The directors are of the opinion that there is unlikely to be any material adverse financial impact on the Group in the event that the final judgement is not in favour of Eventic.

## 19. PLEDGE OF ASSETS

At 30th June, 2002, the bank borrowings of the Group were secured by the following assets:

- (a) Investment properties with a carrying value of HK\$10,410,000 (31.12.2001: HK\$13,750,000).
- (b) Certain part of a hotel property with a carrying value of HK\$36,026,000 (31.12.2001: HK\$36,026,000).
- (c) Bank deposits of HK\$5,618,000 (31.12.2001: HK\$8,427,000).

The right to receive toll fee income of Shenzhen Longchen Xinyuan Industrial Co., Ltd., a subsidiary of the Group, has been pledged to a bank to secure the credit facilities granted to the Group.

## 20. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 19th April, 2002, the Company entered into an agreement with Vision Century Corporation Limited whereby the Company

- (a) acquired 65% interest in Wintime Property Developments Limited ("Wintime") and the shareholder's loan of approximately HK\$131 million for a total consideration of HK\$43.2 million; and
- (b) disposed of the entire issued share capital of Tenways Investments Limited together with the shareholder's loan of approximately HK\$44.5 million to Vision Century Corporation Limited for a total consideration of HK\$43.2 million.

Wintime became an indirect wholly owned subsidiary of the Company upon completion of the transactions on 14th June, 2002.

The subsidiaries acquired and disposed of during the period did not have any impact on the Group's cash flows.

## 21. POST BALANCE SHEET EVENTS

The Group had the following significant events subsequent to 30th June 2002:

- (a) On 22nd July, 2002, the Company entered into a conditional subscription agreement with Ananda Wing On Travel (Holdings) Limited (“Ananda Wing On”), in relation to a subscription of 1,000,000,000 subscription shares in the Company by Ananda Wing On at an issue price of HK\$0.30 per subscription share amounting in aggregate to a total consideration of approximately HK\$300 million.
- (b) On 22nd July, 2002, the Company entered into a conditional placing agreement with an independent placing agent, on a best efforts basis, in relation to the placing of up to 1,333,333,333 new shares in the Company at an issue price of HK\$0.30 per placing share. The total gross proceeds, if fully placed, are estimated to amount to HK\$400 million.
- (c) On 22nd July, 2002, the Company entered into a conditional sale and purchase agreement with Ananda Wing On to acquire from Ananda Wing On the entire issued share capital of, and the shareholder’s loan of approximately HK\$44.4 million to, Shropshire Property Limited (“Shropshire”) for a consideration of approximately HK\$110 million. The consideration will be satisfied by the issue of 366,666,666 new shares in the Company at HK\$0.30 per consideration share. Shropshire has the right to acquire 60% interest in Luoyang Golden Gulf Hotel Co., Ltd. (“Luoyang Golden Gulf”). The principal asset of Luoyang Golden Gulf is Golden Gulf Hotel located in Luoyang, the PRC.
- (d) On 22nd July, 2002, the Company entered into another conditional sale and purchase agreement with Paul Y. – ITC Construction Holdings Limited (“Paul Y. – ITC”) to acquire from Paul Y. – ITC the entire issued share capital of, and the shareholder’s loan of approximately HK\$482.5 million to, Rosedale Hotel Group Limited which indirectly owns Best Western Rosedale on the Park located in Causeway Bay, Hong Kong for a cash consideration of HK\$250 million.
- (e) On 22nd July, 2002, Clever Basin Holdings Limited, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Hutchison Hotels Holdings (International) Limited (“Hutchison Hotels Holdings”) to acquire from Hutchison Hotels Holdings the entire issued share capital of, and the shareholder’s loan of approximately HK\$605.6 million to Makerston Limited, which holds a 95% indirect interest in Beijing Harbour Plaza Co., Ltd. (“Beijing Harbour”) for a total consideration of HK\$515 million. The consideration will be satisfied on completion by cash in the amount of HK\$150 million and issue of a promissory note for the principal amount of HK\$365 million. The principal asset of Beijing Harbour is Beijing Harbour Plaza Hotel located in Beijing, the PRC.
- (f) On 13th September, 2002, the Company and a subsidiary of the Company entered into a memorandum of understanding with an independent third party to dispose of the Group’s 60% interest in Shenzhen Highway at a net consideration of approximately HK\$60 million.

The above transactions have not been completed up to the date of this report.