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REVIEW AND OUTLOOK

For the six months ended 30th June, 2002, the Group incurred an unaudited consolidated net loss attributable to shareholders of HK$205.1 million, as compared with a net loss of HK$251.1 million in the same period last year.

In March this year, the Company completed a share exchange agreement entered into with Prism Communications International Limited in February 2002, pursuant to which the Company allotted and issued 250 million new shares of the Company at HK$0.1 each in exchange for 10 million new shares in Prism. Later in July, the Company exercised in part an option granted to it under the share exchange agreement, exercisable before 1st October, 2002, pursuant to which the Company further issued 240 million new shares of the Company at HK$0.1 each in exchange for an additional 9.6 million new shares in Prism. At present, the Company holds an aggregate of 19.6 million shares in Prism, representing approximately 9.7% of Prism's existing issued share capital. Prism is carrying on, through its wholly owned subsidiary, telecommunications and internet-related businesses and equipment trading, and provides international voice and fax long distance services.

Apart from the relatively minor investments in various information technology businesses, the Company's only major asset comprises the majority holding of shares in Paliburg Holdings Limited that have been pledged to the financial creditors. Therefore, in order to sustain the continued viability of the Company, it will be crucial that a consensual restructuring of the Company's indebtedness can be secured with its financial creditors and that the majority shareholding in Paliburg is maintained.

Against this background, the Company announced on 2nd August, 2002 the entering into of the Share Swap Agreement which was contemplated in conjunction with a series of reorganisation exercises proposed at different corporate levels within the overall Century City Group including, among other things, the Stanley Transfer between Paliburg and Regal Hotels International Holdings Limited, the Settlement Proposal in respect of the Exchangeable Bonds and the Convertible Bonds of Paliburg and the Paliburg Acquisition of Paliburg. Relevant details including the terms and conditions of these proposed transactions were fully set out in the circular to the Company's shareholders dated 26th August, 2002.

As explained in the said circular, the Share Swap under the Share Swap Agreement was proposed with a view to providing the Company with a mechanism to maintain a controlling interest in Paliburg following the Paliburg Acquisition, and the Paliburg Acquisition itself was aimed to strengthening the business base and cash resources of Paliburg. The Company regards the Share Swap as beneficial as it can help the Company in maintaining a controlling stake in Paliburg and facilitate the negotiation and implementation of the debt restructuring of the Group.

The completion of the Share Swap is conditional on, among other things, the implementation of the Paliburg Acquisition. As the poll demanded on the resolution to approve the Paliburg Acquisition at the special general meeting of Paliburg held on 18th September, 2002 has been directed to be taken on 2nd October, 2002, the Company accordingly adjourned the special general meeting of the Company held later on that date for the consideration of the Paliburg Acquisition and the Share Swap, to be reconvened at 12:00 noon on 2nd October, 2002.

For the six months ended 30th June, 2002, Paliburg incurred an unaudited consolidated net loss attributable to shareholders of HK$230.0 million, as compared with a net loss of HK$258.2 million in the corresponding period in 2001. The loss incurred was mostly attributable to the continuing accrual of interest on the two outstanding Bonds of Paliburg, the sale of certain Regal shares and the deemed disposal of shares in Regal due to the placement of new shares by Regal, and the disposal of Redhill Plaza during the period under review.

With a view to improving its working capital position, Paliburg sold in June this year its investment property at Redhill Plaza in Tai Tam through a tender process at a consideration of HK$169.9 million and a net loss of approximately HK$30.6 million was incurred.

As reported before, Paliburg had planned to dispose of the Crown Hill site located in the central city west area of Los Angeles. In July this year, the Paliburg group was formally notified by the Los Angeles Unified School District that it has instituted proceedings to compulsorily acquire the Crown Hill site for public education purposes at a just compensation to be ascertained. The Unified School District has deposited with the court its initially determined probable compensation of US$10 million which the Paliburg group, as the owner of the site, has the right to dispute and object. The Paliburg group has retained legal advisers and professional valuers to object the probable compensation determined by the Unified School District and the issue is expected to be adjudicated by the US courts towards the end of this year. The proceeds anticipated to be received by the Paliburg group from the ultimate disposal of this site would help to further reduce its indebtedness under the remaining bilateral banking facilities.

Completion of the Stanley Transfer is subject to the satisfaction of other conditions including relevant bank consents and the listing approval on the new consideration shares of Regal falling to be issued, while the Settlement Proposal is subject to certain other conditions including the approval by the holders of the outstanding Bonds of Paliburg at the Bondholders' meetings to be held on 27th September, 2002 and the completion of the Stanley Transfer.

If the Stanley Transfer is completed, Paliburg will receive from Regal approximately 1,958.3 million new shares as consideration and the shareholding of Paliburg in Regal will increase from 69.3% presently to 79.4%, assuming there are no other changes in the share capital of Regal.

The Settlement Proposal was aimed at settling the indebtedness under the two outstanding Bonds of Paliburg in full. If the Settlement Proposal is implemented, Paliburg would transfer, effectively for the benefit of its Bondholders, the entire equity interests in its wholly owned subsidiaries that indirectly hold the entire interests (subject to the mortgages securing the securitisation loan) in Paliburg Plaza and Kowloon City Plaza, and 1,896.5 million ordinary shares of Regal, out of the consideration shares to be received under the Stanley Transfer, to be released in phases within 21 months except in certain stated circumstances. After the full release of these Regal ordinary shares, if there are otherwise no changes in the share capital of Regal, Paliburg will continue to maintain an effective controlling interest of about 47.7% in Regal.

For the six months ended 30th June, 2002, Regal 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, Regal recently entered into a share purchase agreement with a third party purchaser for the sale of its 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. If the sale progresses, the share purchase agreement is scheduled to be completed in early December 2002. This hotel in Toronto was acquired by Regal 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 Group's results for the current financial year. However, it is expected that net surplus proceeds will be derived after full redemption of the attached bank loan.

Separately, the Regal 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 Regal group of standstill security by the cross collateralisation of certain existing security primarily over its five hotels in Hong Kong and its interest in the Stanley development project and additional security primarily over certain of its operating entities; (ii) waiver by the Regal group's lenders of previous breach of covenants on maintaining the financial ratios under the loans; (iii) the making by the Regal group of certain milestone payments during the period when the standstill agreement is effective; and (iv) the Regal group's 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.

With a view to raise additional funds for reduction of bank indebtedness and working capital purposes, Regal 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, which is subject to the satisfaction of certain conditions. 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 Regal at HK$0.10 per share, initially, subject to usual and downward adjustments.

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, Regal 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 Regal's principal bank creditors. Regal 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 local hotels of the Regal group will be able to produce improving performance and positive contributions over the coming years.

Based on the unaudited consolidated accounts of Paliburg as at 30th June, 2002, Paliburg's indebtedness will be significantly reduced by approximately HK$4,968.0 million (including approximately HK$3,751.0 million in relation to the Bonds and approximately HK$1,217 million in relation to the securitisation loan) and an estimated accounting profit of approximately HK$3,000 million will be recorded as a result of the implementation of the Settlement Proposal. The elimination of these indebtedness will significantly reduce Paliburg's future interest cost burden which may, in due course, be further lessened when the sale of the Crown Hill site is finalised.

Though the Paliburg group will inevitably become leaner due to the transfer of some of its major assets, these restructuring proposals are extremely crucial for Paliburg to emerge from the difficult environment encountered during the past few years.

The Company's management has all along worked diligently and in co-ordination with the appointed independent financial adviser on the restructuring discussions with the financial creditors. The Company will continue to use its utmost efforts to work out an overall restructuring proposal in order to bring the Company out of the present difficulties, however, any consensual resolution will inevitably depend on obtaining the agreement of all relevant parties involved.

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 amounted to HK$120.4 million (2001 - HK$181.9 million). Net interest payment for the period amounted to HK$190.0 million (2001 - HK$193.9 million).

In March 2002, 250 million new shares ("250M Consideration Shares") of the Company were allotted, issued and credited as fully paid to a nominee of Prism Communications International Limited ("Prism") at HK$0.10 per 250M Consideration Share in satisfaction of the consideration for the subscription by Expert Link Technology Limited ("Expert Link"), a wholly-owned subsidiary company of the Company, for 10 million new shares of HK$0.01 each in Prism pursuant to the Share Exchange Agreement (the "Share Exchange Agreement") dated 18th February, 2002 made between, inter alia, the Company and Prism.

Subsequent to 30th June, 2002, in July 2002, a total of 240 million new shares ("240M Consideration Shares") of the Company were allotted, issued and credited as fully paid to nominees of Prism at HK$0.10 per 240M Consideration Share in satisfaction of the consideration for the subscription by Expert Link for 9.6 million new shares of HK$0.01 each in Prism, as a result of the partial exercise of an option granted by Prism to the Company pursuant to the Share Exchange Agreement.

As at 30th June, 2002, the Group's gross borrowings net of cash and bank balances amounted to HK$10,015.1 million, as compared to HK$10,135.4 million as at 31st December, 2001. The Group's gearing ratio based on total assets of HK$14,345.3 million (31st December, 2001 - HK$14,634.5 million) was about 70% (31st December, 2001 - 69%).

Details of the Group's pledge of assets and contingent liabilities are shown in notes 16 and 17, 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.

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date. Currency and interest rate exposures are hedged where circumstances are considered appropriate.

Remuneration Policy

The Group employs approximately 2,000 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 benefit plans maintained by the Group include provident fund scheme and medical and life insurance.

The Company as well as Paliburg Holdings Limited ("PHL") and Regal Hotels International Holdings Limited ("RHIHL"), the listed subsidiary companies of the Company, each maintains an Executive Share Option Scheme, pursuant to which certain share options were granted under the Executive Share Option Schemes of PHL and RHIHL 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	**693.3**	845.1
Cost of sales		**(497.3)**	(659.0)
Gross profit		**196.0**	186.1
Other revenue	4	**16.9**	114.7
Administrative expenses		**(71.9)**	(78.6)
Other operating expenses, net	5	**(108.5)**	(70.3)
PROFIT FROM OPERATING ACTIVITIES	3	**32.5**	151.9
Finance costs	6	**(344.1)**	(492.5)
Share of profits less losses of:			
Jointly controlled entity		**–**	(60.6)
Associates		**3.3**	(3.0)
LOSS BEFORE TAX		**(308.3)**	(404.2)
Tax	7	**(0.6)**	(1.8)
LOSS BEFORE MINORITY INTERESTS		**(308.9)**	(406.0)
Minority interests		**103.8**	154.9
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**(205.1)**	(251.1)
Loss per share (HK$):	9		
Basic		**(0.059)**	(0.075)
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	332.7	888.4	4.4	3,325.9	53.9	(4.2)	(4,761.4)	(160.3)
Issue of new shares	25.0	–	–	–	–	–	–	25.0
Movement in fair value of long term investments	–	–	–	–	4.6	–	–	4.6
Release on disposal of ordinary shares in the listed subsidiary companies	–	–	–	(46.2)	0.4	0.2	–	(45.6)
Release on disposal of long term investments	–	–	–	–	2.5	–	–	2.5
Exchange realignments	–	–	–	–	–	0.7	–	0.7
Transfers	–	–	–	–	(1.7)	–	1.7	–
Net loss for the period	–	–	–	–	–	–	(205.1)	(205.1)
At 30th June, 2002	**357.7**	**888.4**	**4.4**	**3,279.7**	**59.7**	**(3.3)**	**(4,964.8)**	**(378.2)**

	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	332.7	888.4	4.4	3,226.9	64.7	(3.2)	(2,958.7)	1,555.2
Prior year adjustment (Note)	–	–	–	156.5	–	–	(156.5)	–
As restated	332.7	888.4	4.4	3,383.4	64.7	(3.2)	(3,115.2)	1,555.2
Movement in fair value of long term investments	–	–	–	–	(2.5)	–	–	(2.5)
Release on disposal of ordinary shares in the listed subsidiary companies	–	–	–	(57.5)	(1.0)	0.1	–	(58.4)
Release on disposal of long term investments	–	–	–	–	14.2	–	–	14.2
Transfers	–	–	–	–	(2.4)	–	2.4	–
Net loss for the period	–	–	–	–	–	–	(251.1)	(251.1)
At 30th June, 2001	332.7	888.4	4.4	3,325.9	73.0	(3.1)	(3,363.9)	1,257.4

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		**11,292.2**	11,497.8
Properties under development		**50.1**	50.1
Property held for future development		**26.7**	26.7
Interest in a jointly controlled entity		**1,050.8**	1,036.9
Interests in associates		**274.5**	260.9
Long term investments	11	**329.0**	161.3
Loans and other long term receivable	12	**129.9**	303.3
Intangible assets		**1.7**	2.5
Deferred expenditure		**40.2**	46.9
Other assets		**0.2**	0.3
Deposit for acquisition of interest in a hotel property		**–**	5.6
		13,195.3	13,392.3
CURRENT ASSETS			
Short term loans receivable		**0.9**	0.9
Short term investments		**10.7**	9.9
Properties under development		**117.0**	117.0
Properties held for sale		**200.0**	209.2
Hotel and other inventories		**32.2**	29.4
Debtors, deposits and prepayments	13	**590.9**	651.2
Pledged time deposits		**3.8**	3.8
Time deposits		**149.4**	169.8
Cash and bank balances		**45.1**	51.0
		1,150.0	1,242.2
CURRENT LIABILITIES			
Creditors and accruals	14	**1,034.6**	986.8
Tax payable		**36.2**	36.9
Interest bearing bank and other borrowings		**2,150.8**	2,197.8
Exchangeable bonds		**1,004.9**	1,004.9
Convertible bonds		**1,620.8**	1,620.8
Provision for premium on redemption of exchangeable bonds and convertible bonds		**815.6**	815.6
Deposits received		**57.2**	63.2
Provisions		**312.3**	298.5
		7,032.4	7,024.5
NET CURRENT LIABILITIES		**(5,882.4)**	(5,782.3)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,312.9**	7,610.0

Condensed Consolidated Balance Sheet *(Cont'd)*

	30th June, 2002 (Unaudited)	31st December, 2001 (Audited)
	HK$'million	**HK$'million**
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,312.9**	7,610.0
NON-CURRENT LIABILITIES		
Interest bearing bank and other borrowings	**(5,436.9)**	(5,536.5)
Advances from minority shareholders of subsidiary companies	**(39.5)**	(38.6)
	(5,476.4)	(5,575.1)
MINORITY INTERESTS	**(2,214.7)**	(2,195.2)
	(378.2)	(160.3)
CAPITAL AND RESERVES		
Issued capital	**357.7**	332.7
Reserves	**(735.9)**	(493.0)
	(378.2)	(160.3)

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	**120.4**	181.9
Net cash inflow/(outflow) from investing activities	**196.6**	(55.8)
Net cash outflow from financing activities	**(342.1)**	(316.5)
Decrease in cash and cash equivalents	**(25.1)**	(190.4)
Cash and cash equivalents at beginning of period	**219.6**	473.0
Effect of foreign exchange rate changes, net	**0.1**	0.9
Cash and cash equivalents at end of period	**194.6**	283.5
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**45.1**	56.8
Non-pledged time deposits with original maturity of less than three months when acquired	**149.4**	229.8
Time deposits with original maturity of less than three months when acquired, pledged as security for general banking facilities	**3.8**	–
	198.3	286.6
Bank overdrafts	**(3.7)**	(3.1)
	194.6	283.5

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 11) 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 noted in the audited consolidated financial statements for the year ended 31st December, 2001, while continuing discussions were being maintained by the Company with the financial creditors of the Group, excluding Paliburg Holdings Limited ("PHL") and its subsidiary companies, (the "CCIHL Group"), no consensual debt restructuring proposal has yet been agreed. The Company continues to work with its independent financial adviser with a view to formulating a consensual proposal for the restructuring of the CCIHL Group's outstanding indebtedness with its financial creditors (the "Debt Restructuring") in order to replace the existing informal standstill arrangement of the CCIHL Group.

As previously noted, PHL and its subsidiary companies, excluding Regal Hotels International Holdings Limited ("RHIHL") and its subsidiary companies (the "RHIHL Group"), (the "PHL Group") successfully concluded new bilateral facilities with the majority of the financial creditors to replace its informal standstill arrangement. The PHL Group is continuing discussions with the remaining financial creditor with a view to finanlising a satisfactory bilateral facility arrangement (the "Bilateral Facility Arrangement") in the near future.

As more fully explained in the audited financial statements for the year ended 31st December, 2001, the PHL Group's exchangeable bonds and convertible bonds went into default or cross default in 2001. The total amount outstanding under these two bonds, including interest and accrued redemption premium, amounted to HK$3,751.0 million as at 30th June, 2002. The PHL Group is now in the final stage of implementation of the proposed settlement of these two bonds (the "Settlement Proposal"), the details of which were contained in the circular dated 26th August, 2002. Certain major holders of the bonds have agreed in principle to support the proposal. Requisite shareholders' approvals on the Settlement Proposal have already been obtained. The completion of the Settlement Proposal is subject to, among other things, the approval by the bondholders at the bondholders' meetings to be held on 27th September, 2002.

As previously reported, certain of the RHIHL 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 RHIHL 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 RHIHL Group's operating entities have been provided as standstill security;

(ii) previous breaches of covenants by the RHIHL 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) RHIHL has agreed to make certain milestone payments during the period when the Standstill Agreement is effective.

The directors of RHIHL believe that the Standstill Agreement is a positive indication of continuing support from the RHIHL Group's principal bank creditors. The Standstill Agreement provides the RHIHL 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 RHIHL Group's disposal of its hotel interests in the United States of America in 1999 (the "Consideration Receivable") (see note 13 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 RHIHL 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 RHIHL 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 RHIHL 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 RHIHL, 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 RHIHL 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 RHIHL 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.

On the basis that the Debt Restructuring will be successful, having regard to the progress of the implementation of the Settlement Proposal and on the basis that the Bilateral Facility Arrangement will be successful, and further 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 and 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 property development and investment segment comprises the development and sale of properties and the leasing of office and commercial premises;

(b) the property management segment is engaged in the provision of property management services;

(c) the construction and construction-related segment is engaged in construction works contracts and construction-related businesses, including the provision of development consultancy and project management services and cement production;

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

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

(f) the other segment mainly comprises the Group's securities trading, securities brokerage, financing, 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

	Property development and investment Six months ended 30th June, 2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	Property management Six months ended 30th June, 2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	Construction and construction-related businesses Six months ended 30th June, 2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	Hotel ownership and management Six months ended 30th June, 2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m
Segment revenue:								
Sales to external customers	91.1	206.0	11.1	11.3	109.8	75.5	467.2	510.8
Intersegment sales	13.3	45.8	0.6	0.8	1.7	23.0	0.2	0.5
Total	**104.4**	**251.8**	**11.7**	**12.1**	**111.5**	**98.5**	**467.4**	**511.3**
Segment results	26.7	94.1	8.7	8.9	5.2	1.1	82.5	67.3
Share of profits less losses of:								
Jointly controlled entity	–	(60.6)	–	–	–	–	–	–
Associates	–	–	–	–	–	–	(0.2)	–

	Brewery operations Six months ended 30th June, 2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	Others Six months ended 30th June, 2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	Eliminations Six months ended 30th June, 2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m	Consolidated Six months ended 30th June, 2002 (Unaudited) HK$'m	2001 (Unaudited) HK$'m (Restated)
Segment revenue:								
Sales to external customers	9.2	14.0	4.9	27.5	–	–	693.3	845.1
Intersegment sales	–	–	7.2	8.9	(23.0)	(79.0)	–	–
Total	**9.2**	**14.0**	**12.1**	**36.4**	**(23.0)**	**(79.0)**	**693.3**	**845.1**
Segment results	(7.2)	(6.9)	(4.4)	(12.7)	(2.4)	(23.8)	109.1	128.0
Interest income and unallocated non-operating and corporate gains							16.2	119.3
Unallocated non-operating and corporate expenses, net							(92.8)*	(95.4)
Profit from operating activities							**32.5**	**151.9**
Finance costs							**(344.1)**	**(492.5)**
Share of profits less losses of:								
Jointly controlled entity	–	–	–	–	–	–	**–**	**(60.6)**
Associates	–	–	3.5	(3.0)	–	–	**3.3**	**(3.0)**
Loss before tax							**(308.3)**	**(404.2)**
Tax							**(0.6)**	**(1.8)**
Loss before minority interests							**(308.9)**	**(406.0)**
Minority interests							**103.8**	**154.9**
Net loss from ordinary activities attributable to shareholders							**(205.1)**	**(251.1)**

* Inclusive of a write back of provision against other loan receivable amounting to HK$19.1 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,		USA 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,	
	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)	2002 (Unaudited)	2001 (Unaudited)
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Segment revenue:												
Sales to external customers	636.0	774.9	–	–	48.0	55.4	9.3	14.8	–	–	693.3	845.1
Segment results	118.0	138.1	(0.7)	(1.1)	(1.2)	1.4	(7.0)	(10.4)	–	–	109.1	128.0

(c) An analysis of profit/(loss) on sale of investments or properties of the Group is as follows:

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	**HK$'million**
Gain/(Loss) on disposal of listed investments, net	**(58.8)**	27.4
Loss on disposal of unlisted investments	**(1.6)**	–
Loss on sale of properties	**(35.6)**	(0.3)

4. Other Revenue

Other revenue includes the following major items:

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	**HK$'million**
Interest income	**9.2**	33.2
Profit on disposal of ordinary shares in a listed subsidiary company arising from exchange of exchangeable bonds	**–**	64.7

5. Other Operating Expenses, net

Other operating expenses, net, include the following major items:

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	**HK$'million**
Depreciation	**28.4**	30.7
Loss on disposal of long term listed investments	**2.2**	27.7
Loss on disposal of long term unlisted investments	**1.6**	–
Loss on disposal of ordinary shares in a listed subsidiary company	**56.6**	8.5
Loss on disposal of investment property	**35.6**	–
Write back of provision against other loan receivable	**(19.1)**	–

6. Finance Costs

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK$'million	HK$'million
Interest in respect of:		
Bank loans and overdrafts	**137.8**	221.7
Other loans, exchangeable bonds and convertible bonds wholly repayable within five years	**199.5**	148.0
	337.3	369.7
Premium provided on exchangeable bonds and convertible bonds	**–**	104.4
	337.3	474.1
Interest capitalised in respect of property development projects and construction contracts	**–**	(2.1)
	337.3	472.0
Amortisation of deferred expenditure	**6.7**	9.7
Write off of deferred expenditure	**–**	10.0
Other loan costs	**0.1**	0.8
Total finance costs	**344.1**	492.5

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:		
Hong Kong	**0.5**	2.0
Overseas	**0.1**	0.2
	0.6	2.2
Prior year overprovisions:		
Hong Kong	**–**	(0.4)
Tax charge for the period	**0.6**	1.8

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16% (2001 - 16%) to the estimated assessable profits which were earned in or derived from Hong Kong during the period.

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. Transfer from Other Reserves

For the period under review, an amount of HK$1.7 million (2001 - HK$2.4 million) was transferred from reserves to accumulated losses.

9. Loss Per Share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK$205.1 million (2001 - HK$251.1 million) and on the weighted average of 3,505.3 million (2001 - 3,326.8 million) shares of the Company in issue during the period.

No diluted loss per share is presented for the periods ended 30th June, 2001 and 2002, as no diluting events existed during the periods.

10. Dividend

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

11. Long Term Investments

Included in the long term investments is an amount of HK$118.9 million (31st December, 2001 - HK$118.9 million) which represents the PHL Group's investments of 23% interest each in two sino-foreign joint venture companies (collectively, the "Investee Companies") in Beijing, The People's Republic of China (the "PRC"). As disclosed in the PHL Group's prior years' audited consolidated financial statements, a land site beneficially and collectively held by the Investee Companies was resumed by the Land Bureau in Beijing in 2000 on grounds of its prolonged idle condition. The PHL Group and the other parties concerned have been undergoing negotiations with the relevant PRC government authorities with a view to safeguarding the Investee Companies' interest in the land site. During 2001, an impairment loss of HK$180.0 million was made against the investments by reference to an independent valuation of the hotel portion of the land site, for which the PHL Group can exchange its entire interests in the Investee Companies in accordance with the agreed terms pursuant to a contractual arrangement made with certain independent third parties. While there has been progress in the negotiations, in the opinion of the directors of PHL, it is still not possible to determine at this stage with reasonable certainty the ultimate outcome of the negotiations and hence any further provision required to be made against the PHL Group's investments in the Investee Companies.

Also 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 RHIHL Group in settlement of certain promissory notes receivable (note 12). 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.

12. 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 RHIHL 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 11).

13. **Debtors, Deposits and Prepayments**

Included in the balance is an amount of HK$107.3 million (31st December, 2001 - HK$163.0 million) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30th June, 2002 (Unaudited)	31st December, 2001 (Audited)
	HK$'million	HK$'million
Outstanding balances with ages:		
Within 3 months	**92.1**	112.9
Between 4 to 6 months	**3.2**	7.2
Between 7 to 12 months	**6.7**	5.3
Over 1 year	**27.7**	56.8
	129.7	182.2
Provisions	**(22.4)**	(19.2)
	107.3	163.0

Debtors, deposits and prepayments of the RHIHL Group 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 RHIHL 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 RHIHL 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 RHIHL 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 RHIHL 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 RHIHL 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 RHIHL Group for future potential claims, and has withheld payment to the RHIHL Group of the Consideration Receivable. The RHIHL 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 RHIHL Group's legal advisers have also advised the RHIHL Group that the demand for security by the Purchaser is legally unfounded. The RHIHL 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 RHIHL 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 of RHIHL 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 of RHIHL 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.

14. Creditors and Accruals

Included in the balance is an amount of HK$88.8 million (31st December, 2001 - HK$110.9 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	**71.6**	84.3
Between 4 to 6 months	**5.4**	3.6
Between 7 to 12 months	**1.4**	1.4
Over 1 year	**10.4**	21.6
	88.8	110.9

15. 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
Advertising, promotion and information technology service fees (including cost reimbursements) paid to an associate	**5.7**	9.0
Interest on loans to associates	**3.8**	5.7
Guarantees given in respect of a banking facility granted to a jointly controlled entity	**2,310.0**	2,310.0
Guarantee given in respect of a banking facility granted to an associate	**–**	109.0

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.

16. Pledge of Assets

At 30th June, 2002, certain of the Group's time deposits, listed investments, fixed assets including properties and equipment, properties under development, inventories and receivables with a total carrying value of HK$12,159.7 million (31st December, 2001 - HK$12,160.0 million) and certain ordinary shares in two listed subsidiary companies 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 and to secure exchange rights under the exchangeable bonds issued by the PHL Group.

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

17. Contingent Liabilities

At 30th June, 2002, the Group had the following contingent liabilities:

	30th June, 2002 (Unaudited)	31st December, 2001 (Audited)
	HK$'million	HK$'million
(a) Corporate guarantees provided in respect of the attributable share of an outstanding bank loan of a jointly controlled entity	**1,838.0**	1,757.7

(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 13 to the interim condensed consolidated financial statements, on 18th November, 1999, the RHIHL Group entered into a securities purchase agreement (the "SP Agreement") with an independent party (the "Purchaser") with respect to the disposal by the RHIHL 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 RHIHL 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 of RHIHL are unable either to assess the likelihood of the crystallisation of any contingent liabilities or to estimate the amounts thereof with reasonable accuracy.

18. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 5 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	**104.9**	125.4
In the second to fifth years, inclusive	**112.9**	119.5
	217.8	244.9

During the period, the Group recognised HK$0.1 million (2001 - HK$0.4 million) in respect of contingent rental receivable.

(b) As lessee

The Group leases certain of its office equipment under operating lease arrangements. Leases for office equipment are negotiated for terms ranging from 5 months to 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
Other equipment:		
Within one year	**3.8**	3.9
In the second to fifth years, inclusive	**0.7**	1.2
	4.5	5.1

19. Commitments

In addition to the operating lease commitments detailed in note 18(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 interests in a hotel property in The People's Republic of China:		
Authorised and contracted for	**–**	3.4
Capital commitments in respect of the 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
Capital commitments in respect of a property development project:		
Authorised and contracted for	**9.0**	2.4
Authorised, but not contracted for	**21.7**	28.3
	30.7	30.7
	95.7	107.7

20. Post Balance Sheet Events

Subsequent to the balance sheet date, in addition to the events detailed elsewhere in the interim condensed consolidated financial statements, the Group entered into the following significant transactions/agreements:

(a) In July 2002, a total of 240 million new shares ("Consideration Shares") of the Company were allotted, issued and credited as fully paid to nominees of Prism Communications International Limited ("Prism") at HK$0.10 per Consideration Share in satisfaction of the consideration for the subscription by Expert Link Technology Limited, a wholly-owned subsidiary company of the Company, for 9.6 million new shares of HK$0.01 each in Prism, as a result of the partial exercise of an option granted by Prism to the Company pursuant to the Share Exchange Agreement dated 18th February, 2002 made between, inter alia, the Company and Prism.

(b) On 2nd August, 2002, RHIHL 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 RHIHL 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 the circular dated 26th August, 2002, has been approved by the respective independent shareholders of RHIHL, PHL and the Company at their respective special general meetings held on 18th September, 2002.

(c) On 2nd August, 2002, PHL entered into an agreement with Venture Perfect Investments Limited ("VPI") and the shareholders of VPI (the "Vendors") for the acquisition of the entire equity interest in VPI, including taking the benefit of an option to acquire all or part of the 50% equity interest owned by one of the Vendors in Leading Technology Holdings Limited ("LTH"), the remaining 50% equity interest of which is owned by VPI (the "Paliburg Acquisition").

The Vendors are connected persons (as defined in the Listing Rules) of the Company and PHL. The assets of the VPI group currently comprise a 50% equity interest in LTH and cash deposits of approximately HK$70 million. LTH and its subsidiary companies are principally engaged in the design, development, integration and distribution of security and building related systems, software and products in the Greater China region.

The consideration for the Paliburg Acquisition is HK$345 million (subject to a maximum of HK$475 million for any new placing of shares by VPI for cash prior to the completion of the Paliburg Acquisition) which will be satisfied by PHL by the issuance of 3,450 million (subject to a maximum of 4,750 million) convertible preference shares at HK$0.10 each (the "Paliburg Convertible Preference Shares"). Each Paliburg Convertible Preference Share can be converted into an ordinary share of PHL (subject to adjustment) within three years after completion of the Paliburg Acquisition and the conversion will become mandatory after the three year period.

Further details of the Paliburg Acquisition were contained in the circular dated 26th August, 2002. At the special general meeting of PHL held on 18th September, 2002, a poll has been demanded in respect of the resolution on the Paliburg Acquisition, which will be taken on 2nd October, 2002.

(d) On 2nd August, 2002, the Company entered into a share swap agreement with the Vendors and Almighty International Limited, a company controlled by Mr. Lo Yuk Sui and which will hold up to 3,750 million Paliburg Convertible Preference Shares to be acquired under the Paliburg Acquisition (the "Share Swap Agreement"). Under the Share Swap Agreement, the Company may, subject to certain conditions, effectively acquire up to a maximum of 3,750 million Paliburg Convertible Preference Shares or PHL ordinary shares (subject to adjustment) so converted pursuant to the Paliburg Convertible Preference Shares, by the issuance of up to a maximum of 15,000 million ordinary shares of the Company.

Further details of the Share Swap Agreement were contained in the circular dated 26th August, 2002. The Share Swap Agreement is subject to, among other things, the approval of the Company's independent shareholders at a special general meeting to be held on 2nd October, 2002, as adjourned.

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	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
		Mr. Ng Siu Chan	Ordinary	–	15,453,000	–	15,453,000
	Name of Associated Corporation						
2.	Paliburg Holdings Limited ("PHL")	Mr. Lo Yuk Sui	Ordinary	222,765	–	1,373,024,977 (Notes a & b)	1,373,247,742
		Mrs. Kitty Lo Lee Kit Tai	Ordinary	100,000	–	–	100,000
		Mr. Jimmy Lo Chun To	Ordinary	284,000	–	–	284,000
		Mr. Ng Siu Chan	Ordinary	–	536,500	–	536,500
3.	Regal Hotels International Holdings Limited ("RHIHL")	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
		Mrs. Kitty Lo Lee Kit Tai	Ordinary	2,370,000	–	–	2,370,000

	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
14.	Rapid Growth Holdings Limited	Mr. Lo Yuk Sui	Ordinary	–	–	25,000 (Note a)	25,000

	Name of Associated Corporation	Name of Director	Class of Shares Held	Number of Shares Held Personal Interests	Family Interests	Corporate Interests	Total
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 the Company, 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 the Company 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 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 RHIHL 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 the Company and 600 shares were held through a company controlled by Mr. Lo Yuk Sui.

(e) 800,000 shares were held through companies controlled by the Company 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

No right has been granted to, or exercised by, any Director of the Company, or to or by his spouse and children under 18 years of age, to subscribe for shares in or debentures of the Company during the period.

Further information relating to the Executive Share Option Scheme of the Company (the "CCIHL Option Scheme") approved by its shareholders on 28th June, 1990 is disclosed under the section headed "Directors' Interests in and Movements in Share Options granted by the Company" below.

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 Shares Held
Shui To Co., Limited (Note)	440,269,831
YSL International Holdings Limited (Note)	931,998,340

Note: These companies are controlled by Mr. Lo Yuk Sui and their said shareholdings were included in the corporate interests of Mr. Lo Yuk Sui in the Company as disclosed under Interests in Shares of Directors' Interests in Share Capital.

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

No option has so far been granted by the Company pursuant to the CCIHL Option Scheme approved by its shareholders on 28th June, 1990.

DIRECTORS' INTERESTS IN AND MOVEMENTS IN SHARE OPTIONS GRANTED BY PALIBURG HOLDINGS LIMITED

During the period, details of Directors' interests in and movements in share options granted by PHL pursuant to the Executive Share Option Scheme of PHL (the "PHL Option Scheme") adopted by its shareholder on 23rd November, 1993 and subsequently approved by the independent shareholders of Paiburg International Holdings Limited, formerly the immediate listed holding company of PHL, ("PIHL") on 15th December, 1993 are as follows:

					No. of 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:	22/2/1994	Mr. Lo Yuk Sui	Vested:	3,193,750		-	Vested:	3,650,000	
	Exercise Price per share:	HK$10.40	(Note 7)	Unvested:	1,368,750	Note 1(b)	-	Unvested:	912,500	Note 1(b)
	Vesting Period:	Note 1	Mr. Kenneth Ng Kwai Kai	Vested:	700,000		-	Vested:	800,000	
	Exercise Period:	Note 1		Unvested:	300,000	Note 1(b)	-	Unvested:	200,000	Note 1(b)
			Employees (excluding Directors), in aggregate	Vested:	3,631,250		-	Vested:	4,150,000	
				Unvested:	1,556,250	Note 1(b)	-	Unvested:	1,037,500	Note 1(b)
(B)	Date of Grant (Original Grant Date (Note 2)):	15/9/1995 (22/2/1992)	Mr. Lo Yuk Sui	Vested:	18,750,000	Notes 3(d) & 4	(18,750,000)	Vested:	-	
			(Note 7)	Unvested:	-		-	Unvested:	-	
	Exercise Price per share:	HK$0.6656	Mr. Kenneth Ng Kwai Kai	Vested:	5,127,656	Notes 3(d) & 4	(5,127,656)	Vested:	-	
				Unvested:	-		-	Unvested:	-	
	Vesting Period:	Note 3								
	Exercise Period:	Note 3	Employees (excluding Directors), in aggregate	Vested:	16,887,892	Notes 3(d) & 4	(16,887,892)	Vested:	-	
				Unvested:	-		-	Unvested:	-	
(C)	Date of Grant (Original Grant Date (Note 2)):	15/9/1995 (22/2/1993)	Employees, in aggregate	Vested:	1,406,249		-	Vested:	1,582,030	
				Unvested:	351,563	Note 5(c)	-	Unvested:	175,782	Note 5(c)
	Exercise Price per share:	HK$1.1571								
	Vesting Period:	Note 5								
	Exercise Period:	Note 5								
(D)	Date of Grant (Original Grant Date (Note 2)):	15/9/1995 (22/2/1994)	Employees, in aggregate	Vested:	2,187,500		-	Vested:	2,500,000	
				Unvested:	937,500	Note 6(b)	-	Unvested:	625,000	Note 6(b)
	Exercise Price per share:	HK$3.5392								
	Vesting Period:	Note 6								
	Exercise Period:	Note 6								
(E)	Date of Grant	22/2/1997	Employees, in aggregate	Vested:	1,250,000		(1,000,000)	Vested:	1,562,500	
	Exercise Price per share:	HK$6.672		Unvested:	1,875,000	Note 1(b)	(1,500,000)	Unvested:	1,562,500	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)	9½ years after Date of Grant	100%	100% (exercisable until 10 years after Date of Grant)

2. Consequent upon the group reorganization resulting in the effective merger of PHL and PIHL on 17th August, 1995 and in accordance with the terms of the executive share option scheme of PIHL ("PIHL Option Scheme"), the outstanding options held under the PIHL Option Scheme ("PIHL Options") lapsed on 17th August, 1995 and in conjunction therewith, PHL granted the same number of options to subscribe for the new consolidated shares of HK$1.00 each of PHL under the PHL Option Scheme ("PHL Options") at the same prices and otherwise on the same terms as held by and applicable to the holders of the then outstanding PIHL Options. The above Original Grant Dates are the dates of grant of the PIHL Options and are used to determine the timing when the rights to exercise the PHL Options vest with the holders thereof.

3. Vesting/Exercise Periods of Options:

	On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a)	Exercisable at any time	PHL Options were granted as vested options under the PHL Option Scheme for those PIHL Options already vested under PIHL Option Scheme (see note 2)	Exercisable until 10 years after Original Grant Date
(b)	4 years after Original Grant Date	1/7 x 100%	1/7 x 100% upon vesting (exercisable until 10 years after Original Grant Date)
(c)	5 years to 9 years after Original Grant Date	Cumulative 2/7 x 100% to 6/7 x 100% (with 1/7 x 100% additional percentage vested each subsequent year (commencing from 5 years after Original Grant Date))	Cumulative 2/7 x 100% to 6/7 x 100% (with 1/7 x 100% additional percentage exercisable each subsequent year (commencing from 5 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(d)	9½ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)

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

5. Vesting/Exercise Periods of Options:

	On Completion of Continuous Service of	Initial/Cumulative Percentage Vesting	Initial/Cumulative Percentage Exercisable
(a)	Exercisable at any time	PHL Options were granted as vested options under the PHL Option Scheme for those PIHL Options already vested under PIHL Option Scheme (see note 2)	Exercisable until 10 years after Original Grant Date
(b)	3 years after Original Grant Date	1/8 x 100%	1/8 x 100% upon vesting (exercisable until 10 years after Original Grant Date)
(c)	4 years to 9 years after Original Grant Date	Cumulative 2/8 x 100% to 7/8 x 100% (with 1/8 x 100% additional percentage vested each subsequent year (commencing from 4 years after Original Grant Date))	Cumulative 2/8 x 100% to 7/8 x 100% (with 1/8 x 100% additional percentage exercisable each subsequent year (commencing from 4 years after Original Grant Date) upon vesting (exercisable until 10 years after Original Grant Date))
(d)	$9\frac{1}{2}$ years after Original Grant Date	100%	100% (exercisable until 10 years after Original Grant Date)

6. Vesting/Exercise Periods of Options:

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

7. The aggregate number of shares under options previously granted was in excess of the individual maximum limit of 1% of the shares in issue in the 12 month-period up to the date of latest grant of options.

8. 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.

DIRECTORS' INTERESTS IN AND MOVEMENTS IN SHARE OPTIONS GRANTED BY REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

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

	Terms of Option		Grantee	No. of Ordinary Shares under the Options 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. Kenneth Ng Kwai Kai	Vested:	8,400,000	Notes 1(c) & 2	(8,400,000)	Vested:	–	
	Exercise Period:	Note 1		Unvested:	–		–	Unvested:	–	
			Employees (excluding Directors), in aggregate	Vested:	14,814,000	Notes 1(c) & 2	(14,814,000)	Vested:	–	
				Unvested:	–		–	Unvested:	–	
(B)	Date of Grant:	5/8/1993	Employees, in aggregate	Vested:	1,080,000		–	Vested:	1,080,000	
	Exercise Price per share:	HK$1.1083		Unvested:	300,000	Note 1(b)	–	Unvested:	300,000	Note 1(b)
	Vesting Period:	Note 1								
	Exercise Period:	Note 1								
(C)	Date of Grant:	22/2/1997	Employees, in aggregate	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)	9½ 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 in the respective sections headed "Directors' Interests in and Movements in Share Options granted by Paliburg Holdings Limited" and "Directors' Interests in and Movements in Share Options granted by Regal Hotels International Holdings Limited" 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 subsidiary companies of the Company, 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"). As at the date of this report, the Company owns a 59.2% shareholding interest in Paliburg Holdings Limited ("PHL") and PHL owns a 69.3% shareholding interest in Regal Hotels International Holdings Limited ("RHIHL"). For the purpose of this section, RHIHL and its subsidiary companies will be referred to as the "RHIHL Group"; PHL and its subsidiary companies, excluding the RHIHL Group, will be referred to as the "PHL Group"; PHL and its subsidiary companies, including the RHIHL Group, will be referred to as the "PHL/RHIHL Group"; the Company and its subsidiary companies, excluding both the PHL Group and the RHIHL Group, will be referred to as the "CCIHL Group"; and the Company and its subsidiary companies, including both the PHL Group and the RHIHL Group, will be referred as the "Group".

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 PHL, 30% by RHIHL and 30% by China Overseas Land & Investment Limited, which is independent of, and not connected with the Company, PHL and RHIHL, the respective directors, chief executive and substantial shareholders of the Company, PHL and RHIHL and any of their respective subsidiary companies or any of their respective associates (as defined in the Listing Rules), by the PHL Group and the RHIHL Group as at 30th June, 2002 are set out below:

Advances	**PHL Group (HK$'million)**	**RHIHL Group (HK$'million)**	**PHL/RHIHL Group (HK$'million)**
(A) Principal Amount of Advances	1,486.6	1,201.5	2,688.1
(B) Interest Receivable	216.7	162.5	379.2
(C) Several Guarantees for:			
(a) Principal Amount of Bank Facilities	1,320.0	990.0	2,310.0
(b) Amount of Bank Facilities Drawndown	1,050.3	787.7	1,838.0
Total: (A)+(B)+(C)(a)	3,023.3	2,354.0	5,377.3
(A)+(B)+(C)(b)	2,753.6	2,151.7	4,905.3

The above advances to Chest Gain including interest receivable thereon, in an aggregate sum of HK$1,703.3 million (before a provision of HK$933.3 million representing the PHL 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 PHL Group. The above advances to Chest Gain, including interest receivable thereon, in an aggregate sum of HK$1,364.0 million (before a provision of HK$700.0 million representing the RHIHL Group's attributable share of the provision for foreseeable loss in respect of the property development at the Stanley Site of Chest Gain) were provided by the RHIHL 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 guarantees were provided by PHL and RHIHL on 28th October, 1997 on a several basis in proportion to their respective shareholding interests in Chest Gain and were 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.

As the Company reported a consolidated deficiency in assets of HK$378.2 million by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2002, the calculation of the percentage of the aggregate amount of advances and other financial assistance mentioned above to net tangible assets is not applicable. Calculated on the basis of the Modified Asset Value of approximately HK$7,560.6 million (as referred to in the Announcement of the Company dated 10th June, 2002), the aggregate of advances and other financial assistance as at 30th June, 2002 provided by the PHL/RHIHL Group to Chest Gain in the respective sums of (a) HK$5,377.3 million (based on the total available amount of the bank facilities) and (b) HK$4,905.3 million (based on the amount of bank facilities drawndown) represented (a) 71.1% and (b) 64.9% of the Modified Asset Value.

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:

Name of Affiliated Companies	Principal Amount of Advances (HK$'million)	Interest Receivable (HK$'million)	Guarantee given for Bank Facilities (i) Principal Amount of Bank Facilities (HK$'million)	Guarantee given for Bank Facilities (ii) Amount of Bank Facilities Drawndown (HK$'million)
Chest Gain	(A) 2,688.1	(B) 379.2	(C)(i) 2,310.0	(C)(ii) 1,838.0
Cheerjoy Development Limited	(D) 147.6 (Interest Rate: Prime Rate)	(E) 3.8	Nil	Nil
Talent Faith Investments Ltd.	(F) 78.6	–	Nil	Nil
8D International (BVI) Limited	(G) 37.9	–	Nil	Nil
8D Matrix Limited	(H) 0.7	–	Nil	Nil
Bright Future (HK) Limited	(I) 5.6	–	Nil	Nil
		Total :	(A)+(B)+(C)(i)+(D) to (I)	5,651.5
			(A)+(B)+(C)(ii)+(D) to (I)	5,179.5

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.

Cheerjoy Development Limited ("Cheerjoy") was a wholly owned subsidiary company of PHL and became a 30% owned associate of PHL during 1999. Cheerjoy owns the development property at Ap Lei Chau Inland Lot No. 129, Ap Lei Chau East, Hong Kong. The remaining 70% shareholding interest in Cheerjoy is owned by a third party, which is independent of, and not connected with PHL, the directors, chief executive and substantial shareholders of PHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans and, according to the terms of the shareholders' agreement in respect of this joint venture, would not be provided in proportion to PHL's shareholding interest in Cheerjoy. The advances were provided for the purpose of funding the working capital requirements of Cheerjoy, are unsecured and have no fixed term of repayment.

Talent Faith Investments Ltd. ("Talent Faith") was previously a wholly owned subsidiary company of PHL. Talent Faith owns a 65% interest in a joint venture company which, in turn, owns a 70% interest in an equity joint venture in The People's Republic of China involved in a property development project in Beijing. Talent Faith became a 50% owned associate of PHL during 2000. The remaining 50% shareholding interest in Talent Faith is owned by a third party, which is independent of, and not connected with PHL, the directors, chief executive and substantial shareholders of PHL and any of its subsidiary companies or any of their respective associates (as defined in the Listing Rules). The advances were provided by the PHL Group in the form of shareholder's loans and, in accordance with the terms in the agreement entered into with the said third party in relation to the disposal of the PHL Group's 50% interest in Talent Faith, would not be in proportion to PHL's shareholding interest in Talent Faith. The advances were provided for the purpose of funding the working capital requirements of Talent Faith, are unsecured, interest free and have no fixed terms of repayment.

8D International (BVI) Limited ("8D-BVI") is a 30% owned associate of RHIHL, which is involved in information technology businesses in connection with a broadband fibre optic network 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 the Company and 60% by Mr. Lo Yuk Sui. The advances were provided by the CCIHL Group and the RHIHL Group in the form of shareholders' loans in proportion to the respective shareholding interests of the Company and RHIHL 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 RHIHL (RHIHL 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 the Company (the Company also holds an additional 2% attributable interest through its holding in 8D-BVI) 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 CCIHL Group and the RHIHL Group in the form of shareholders' loans in proportion to the respective shareholding interests of the Company and RHIHL 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 RHIHL, 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 RHIHL, the directors, chief executive and substantial shareholders of RHIHL 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 RHIHL Group in the form of shareholder's loans in proportion to RHIHL'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.

As the Company reported a consolidated deficiency in assets of HK$378.2 million by reference to its latest unaudited condensed consolidated financial statements for the six months ended 30th June, 2002, the calculation of the percentage of the aggregate amount of financial assistance and guarantees mentioned above to net tangible assets is not applicable. Calculated on the basis of the Modified Asset Value, 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$5,651.5 million (based on the total available amount of the bank facilities to Chest Gain) and (b) HK$5,179.5 million (based on the drawndown amount of bank facilities to Chest Gain) represented (a) 74.7% and (b) 68.5% of the Modified Asset Value.

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	5,181.5	1,713.7
Current assets	16.1	4.2
Current liabilities	(152.5)	(53.2)
Non-current liabilities	(8,943.0)	(3,094.3)
Net liabilities	(3,897.9)	(1,429.6)

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 RHIHL Group impose specific performance obligations on the controlling shareholders of the Company, PHL and RHIHL:

		Outstanding Balance of Bank Facilities as at 30th June, 2002 (HK$'million)	**Final Maturity of Bank Facilities**	**Specific Performance Obligations**
RHIHL 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 the Company which owns a 59.2% shareholding interest in PHL (which in turn owns as 69.3% shareholding interest in RHIHL), 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 in RHIHL.

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

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 certain 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 specified 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 comprising Mr. Ng Siu Chan (Chairman of the Committee) and Mr. Anthony Chuang, both of whom are independent Non-Executive Directors of the Company. 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 30th 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
Century City International Holdings Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 9 to 27.

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 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.

Fundamental uncertainty
- Provisions against investments in two investee companies

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in note 11 to the interim financial report concerning the outcome of the negotiations with the relevant government authorities in the People's Republic of China in respect of the resumption of a land site beneficially and collectively held by two investee companies (the "Investee Companies") during 2000, which is included in long term investments under non-current assets of Paliburg Holdings Limited ("PHL"), a principal listed subsidiary company of the Group, and its subsidiary companies (the "PHL Group"). The carrying value of the PHL Group's investments in the Investee Companies amounted to HK$118.9 million (31st December, 2001 - HK$118.9 million) as at 30th June, 2002. As further described in note 11 to the interim financial report, the directors of PHL are still not possible to determine at this stage with reasonable certainty the ultimate outcome of the negotiations for the reversion of the land site to the Investee Companies and hence any further provision required to be made against the PHL Group's investments in the Investee Companies. Details of the circumstances relating to this fundamental uncertainty are described in note 11 to 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 13 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 of Regal Hotels International Holdings Limited ("RHIHL"), a principal listed subsidiary company of PHL, and its subsidiary companies (the "RHIHL Group"). The receivable comprised (i) deferred consideration of US$45.0 million (approximately HK$351.0 million) which arose in connection with the RHIHL 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 13 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 RHIHL Group under the Disposal agreement, exceeded the deferred consideration and also demanded for security from the RHIHL Group for future potential claims, and hence has withheld payment to the RHIHL 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 of RHIHL 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 of RHIHL 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 13 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 outcome of the proposed restructuring of the existing outstanding indebtedness of the Group to replace the Group's existing informal standstill agreement;

ii. the outcome of completion of the proposed settlement with the bondholders of two outstanding bonds of the PHL Group;

iii. the outcome of finalisation of the proposed bilateral facility arrangement with a financial creditor of the PHL Group to replace its existing informal standstill arrangement;

iv. the satisfactory servicing of the milestone payments by the RHIHL Group 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;

v. the successful recovery of the RHIHL Group's Consideration Receivable;

vi. the outcome of the proposed fund-raising arrangements of the RHIHL Group through equity issues; and

vii. the successful implementation of asset disposal programme of the RHIHL Group.

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.

Because of the significance of the inherent uncertainties surrounding the circumstances under which the Group might successfully continue to adopt the going concern basis, we are unable to reach a review conclusion.

Inability to reach a review conclusion

On account of the foregoing fundamental uncertainties relating to the appropriateness of the going concern basis, we are unable to reach a review conclusion as to whether material modifications 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