

HALF YEAR RESULTS

Condensed Consolidated Profit and Loss Account

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



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2002

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

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

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



Condensed Consolidated Balance Sheet

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



Condensed Consolidated Balance Sheet (Cont'd)

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



Condensed Consolidated Cash Flow Statement

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



Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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

A summary of their major effects is as follows:

- (a) SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.
- (b) SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss accounts of subsidiary companies and associates operating in Mainland China and overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the current period is not significant.
- (c) SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.
- (d) SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This has had no major impact on these condensed consolidated financial statements.

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

Held-to-maturity securities

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



2. Corporate Update and Basis of Presentation

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

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

- (i) cross collateralisation of certain existing security and additional security primarily over certain of the Group's operating entities have been provided as standstill security;
- (ii) previous breaches of covenants by the Group under the Loans have been waived;
- (iii) the Lenders have agreed not to enforce any of their rights under the Loans within one year from the Effective Date or, if earlier, until early termination (exercisable in the event of payment defaults and at any time by the majority Lenders); and
- (iv) the Company has agreed to make certain milestone payments during the period when the Standstill Agreement is effective.

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

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

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

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

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



3. Segment Information

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

- (a) the hotel ownership and management segment is engaged in hotel operation and the provision of hotel management services;
- (b) the property development and investment segment invests in properties for sale and for its rental income potential;
- (c) the brewery operations segment represents the Group's brewery operations in the PRC; and
- (d) the other segment mainly comprises the Group's securities trading, travel services, restaurant operations, florist and wedding services.

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

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



(a) Business segments

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

Group

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

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





(b) Geographical segments

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

Group

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

4. Other Revenue

Other revenue includes the following major item:

	Six months ended 30th June, 2002 (Unaudited)	Six months ended 30th June, 2001 (Unaudited)
	HK\$'million	HK\$'million
Interest income	<u>1.7</u>	<u>15.6</u>

5. Other Operating Expenses, net

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

6. Finance Costs

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



7. Tax

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

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

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

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

8. Loss Per Ordinary Share

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

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

9. Dividend

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

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



10. Long Term Investments

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

11. Loans and Other Long Term Receivable

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

12. Debtors, Deposits and Prepayments

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

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

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



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

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

Credit Terms

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

13. Creditors and Accruals

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

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

14. Related Party Transactions

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

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

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

15. Pledge of Assets

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

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



16. Contingent Liabilities

- (a) At 30th June, 2002, a corporate guarantee in the amount of HK\$990.0 million (31st December, 2001 – HK\$990.0 million) had been given by the Company in respect of banking facilities granted to a jointly controlled entity. The amount drawn against these facilities attributable to the Company at the end of the period amounted to HK\$787.7 million (31st December, 2001 – HK\$753.3 million).
- (b) At the balance sheet date, certain employees of the Group had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments upon termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstance specified in the Ordinance. If the termination of such employees met the circumstances required by the Ordinance, the Group's liability at the balance sheet date, after deducting the attributable asset balance of the employer's contribution to the Mandatory Provident Fund, would have increased by approximately HK\$14.7 million. No provision has been made for this amount in the interim condensed consolidated financial statements.
- (c) As described in note 12 to the interim condensed consolidated financial statements, on 18th November, 1999, the Group entered into a securities purchase agreement (the "SP Agreement") with an independent party (the "Purchaser") with respect to the disposal by the Group to the Purchaser of its interests in hotel ownership and hotel management in the United States of America.

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

17. Operating Lease Arrangements

- (a) As lessor

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

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

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



(b) As lessee

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

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

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



18. Commitments

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

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

19. Post Balance Sheet Events

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

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

