THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Strategic Holdings Limited (the "company"), you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(Incorporated in Hong Kong with limited liability)

SUPPLEMENTAL CIRCULAR RELATING TO

MAJOR AND CONNECTED TRANSACTIONS
Proposed acquisition of Rosedale Hotel Group Limited by China Land Group Limited

MAJOR TRANSACTIONS
Proposed acquisition of Shropshire Property Limited and Makerston Limited by China Land Group Limited

DISCLOSEABLE TRANSACTION
Deemed disposal of China Land Group Limited

Financial adviser to China Strategic Holdings Limited

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

The shareholders should be aware this circular is supplementary to the circular of the company dated 5th October, 2002.

21st October, 2002

CONTENTS

CHINA STRATEGIC HOLDINGS LIMITED
中 策 集 團 有 限 公 司
(Incorporated in Hong Kong with limited liability)

Executive directors:
Dr. Chan Kwok Keung, Charles
(chairman and chief executive officer)
Dr. Yap, Allan *(vice chairman)*
Ms. Chau Mei Wah, Rosanna
Mr. Lien Kait Long
Mr. Li Wa Kin
Ms. Chan Ling, Eva

Alternate directors:
Mr. Chan Kwok Hung
(Alternate to Dr. Chan Kwok Keung, Charles)
Mr. Lui Siu Tsuen, Richard *(Alternate to Dr. Yap, Allan)*
Mr. Lau Ko Yuen, Tom
(Alternate to Ms. Chau Mei Wah, Rosanna)

Independent non-executive directors:
Mr. David Edwin Bussmann
Ms. Choy Hok Man, Constance

Registered office:
8th Floor, Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

21st October, 2002

To the shareholders and, for information only,
the holders of warrants and share options

Dear Sir or Madam,

SUPPLEMENTAL CIRCULAR RELATING TO

MAJOR AND CONNECTED TRANSACTIONS
Proposed acquisition of Rosedale Hotel Group by China Land

MAJOR TRANSACTIONS
Proposed acquisition of Shropshire and Makerston
by China Land

DISCLOSEABLE TRANSACTION
Deemed disposal of China Land

INTRODUCTION

Reference is made to the joint announcement dated 26th July, 2002, in relation to, amongst other things, the proposed extensive group reorganisation of China Strategic and the entering into of the subscription agreement, the placing agreement, the first, second and third sale and purchase agreements, the joint announcements dated 16th August, 2002 and 9th Septmeber, 2002 regarding the extension of time limit to despatch the circulars, the joint announcement dated 4th October, 2002 regarding the despatch of circulars and the circular of China Strategic dated 5th October, 2002. Terms used in this circular shall have the same meaning as defined in the circular of the China Strategic dated 5th October, 2002 unless the context requires otherwise.

It was announced on 26th July, 2002 that, amongst other things, China Strategic had proposed an extensive group reorganisation. The circulars were required to be despatched to the respective shareholders of China Strategic, China Land and Ananda Wing On within 21 days from the date of the first joint announcement, being not later than 19th August, 2002, under the Listing Rules. Applications have been made to the Stock Exchange, and granted, for an extension of time limit for the despatch of the circulars to, on or before, 30th September, 2002. The respective boards of China Strategic, China Land and Ananda Wing On announced that due to reasons relating to the land premium of Luoyang Golden Gulf Hotel Co. and the issuing of an undertaking by Ananda Wing On to indemnify China Land against any liabilities arising from the said land premium, additional time was required to finalise the circulars. Subsequently, an announcement was made on 4th October, 2002 informing the respective shareholders of China Strategic, China Land and Ananda Wing On that the circulars were to be despatched on 5th October, 2002.

Application has been made to the Stock Exchange, and granted, for a further extension of time limit for the despatch of the respective circulars of China Strategic, China Land and Ananda Wing On and waiver from strict compliance regarding the timing of certain financial information including the accountants' report on Rosedale Hotel group contained in the circulars dated 5th October, 2002 of China Strategic and China Land.

In compliance with Rule 14.16(4) of the Listing Rules, the updated accountants' report of Rosedale Hotel group for each of the three years ended 31st March, 2002 and the three months ended 30th June, 2002 are attached to this circular and distributed to the shareholders of China Strategic before the date of the extraordinary general meeting, which will be held on 28th October, 2002. The said accountants' report forms part of this circular under the appendix.

The shareholders should be aware this circular is supplementary to the circular of China Strategic dated 5th October, 2002.

Yours faithfully,
For and on behalf of
China Strategic Holdings Limited
Lien Kait Long
Executive Director

The following is an extract of accountants' report of the Rosedale Hotel group included in the circular of China Land dated 21st October, 2002.

德勤•關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu

21st October, 2002

The Directors
China Land Group Limited

Dear Sirs,

We set out below our report on the financial information which is presented on the basis as set out in note 1 to the financial information, regarding Rosedale Hotel Group Limited (formerly Amour Limited) ("Rosedale") and its subsidiaries (hereinafter collectively referred to as the "Rosedale Hotel group") for each of the three years ended 31st March, 2002 and three months ended 30th June, 2002 (the "Relevant Periods"), for inclusion in the circular dated 21st October, 2002 of China Land Group Limited in connection with the acquisition by China Land Group Limited of Rosedale Hotel group ("the Circular").

Rosedale was incorporated on 8th February, 1994 in the British Virgin Islands ("BVI") under the International Business Companies Act. Rosedale is an investment holding company and its ultimate holding company is Paul Y. - ITC Construction Holdings Limited ("Paul Y."). On 14th February, 2000, Paul Y. acquired the entire interest in Rosedale Hotel Management Limited (formerly Cheer Success Hospitality Management Consultant Limited). Through a group-reorganisation in March and April 2002, Paul Y. transferred the entire interest in Rosedale Hotel Management Limited, Success Profits Limited and Star Vision Holdings Limited to Rosedale. On 25th April, 2002, Rosedale acquired the entire interest in Rosedale Hotel Management International Limited (formerly Star Diamond Investments Limited) and became the holding company of the subsidiaries now comprising the Rosedale Hotel group.

As at the date of this report, the particulars of the Rosedale's subsidiaries are as follows:

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital	Attributable equity interest held by Rosedale		Principal activities
			Directly	Indirectly	
Hey Wealth Limited	25th November, 1993, Hong Kong	HK$2	—	100%	Property holding

Name of subsidiary	Date and place of incorporation/ registration	Issued and fully paid up share capital	Attributable equity interest held by Rosedale		Principal activities
			Directly	Indirectly	
Rosedale Hotel Management Limited	20th June, 1997, Hong Kong	HK$2	100%	—	Hotel management
Rosedale Hotel Management International Limited	13th June, 1995, BVI	US$1	100%	—	Hotel management
Rosedale Park Limited (formerly Unistress Concrete Blocks (HK) Limited)	4th June, 1991, Hong Kong	HK$2	100%	—	Hotel operation
Star Vision Holdings Limited	11th December, 2000, Hong Kong	HK$500,000	—	100%	Restaurants operation
Success Profits Limited	1st December, 2000, BVI	US$1	100%	—	Investment holding
Yarra Group Limited	14th December, 1993, BVI	US$1	100%	—	Investment holding

We have acted as auditors of all the subsidiaries of the Rosedale Hotel group for the Relevant Periods, or since their respective date of incorporation or acquisition where this is a shorter period.

Audited financial statements have been prepared for Hey Wealth Limited and Rosedale Park Limited for the year ended 31st March, 2000, 2001 and 2002, Rosedale Hotel Management Limited for the fifteen months ended 31st March, 2001 and year ended 31st March, 2002, and Star Vision Holdings Limited for the period from 11th December, 2000 (date of incorporation) to 31st March, 2002.

No audited financial statements have been issued by Rosedale, Success Profits Limited and Yarra Group Limited, which were incorporated in a country where there were no statutory audit requirements. For the purpose of this report, we have carried out independent audit procedures in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants on the management accounts of these companies, and, of Rosedale Hotel Management Limited and Star Vision Holdings Limited for each of the Relevant Periods, or since their respective date of incorporation or acquisition.

For the purpose of this report, we have also carried out independent audit procedures in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants in respect of the management accounts of the companies comprising the Rosedale Hotel group for the three months ended 30th June, 2002, which were prepared in accordance with accounting principles generally accepted in Hong Kong.

We have examined the audited financial statements or, where appropriate, management accounts of the companies now comprising the Rosedale Hotel group (the "Underlying Financial Statements") for each of the Relevant Periods or since their respective dates of incorporation or acquisition to 30th June, 2002. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Society of Accountants.

The combined income statements and combined cash flows of the Rosedale Hotel group for each of the Relevant Periods and the combined balance sheets of the Rosedale Hotel group as at 31st March 2000, 2001, 2002 and 30th June, 2002 set out in this report have been prepared from the Underlying Financial Statements of the companies comprising the Rosedale Hotel group on the basis set out in note 1 to the financial information, no adjustment is considered necessary for the purposes of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Rosedale. The directors of Rosedale are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the financial information set out in this report from the Underlying Financial Statements, to form an independent opinion on the financial information and to report our opinion to you.

In our opinion, the financial information together with the notes thereon gives, for the purpose of this report, a true and fair view of the combined results and combined cash flows of the Rosedale Hotel group for the Relevant Periods and of the state of affairs of the Rosedale Hotel group as at 31st March, 2000, 2001, 2002 and 30th June, 2002.

I. FINANCIAL INFORMATION

The followings are the financial information of the Rosedale Hotel group and Rosedale as at 31st March, 2000, 2001, 2002 and 30th June, 2002 and of the Rosedale Hotel group for the Relevant Periods prepared on the basis set out in note 1 to the financial information:

Combined income statements

		Year ended 31st March,			Three months ended 30th June,
	Notes	**2000**	**2001**	**2002**	**2002**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	3	—	5,033	64,918	17,570
Direct costs		(423)	(17,574)	(34,976)	(8,969)
Gross profit (loss)		(423)	(12,541)	29,942	8,601
Other revenue		29	45	—	—
Administrative expenses		(272)	(2,953)	(39,844)	(9,358)
Write back of impairment loss (recognised) on property, plant and equipment		(212,499)	—	45,000	—
(Loss) profit from operations	5	(213,165)	(15,449)	35,098	(757)
Finance costs	6	—	(4,425)	(17,644)	(3,936)
(Loss) profit for the period/year		(213,165)	(19,874)	17,454	(4,693)

Combined balance sheets

	Notes	As at 31st March, 2000	As at 31st March, 2001	As at 31st March, 2002	As at 30th June, 2002
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSET					
Property, plant and equipment	11	512,393	619,326	656,370	652,923
CURRENT ASSETS					
Inventories, at cost		—	2,595	2,839	2,621
Trade and other receivables	13	130	3,453	8,161	8,358
Bank balances and cash		48	259	813	263
		178	6,307	11,813	11,242
CURRENT LIABILITIES					
Trade and other payables	14	304	77,994	8,088	5,289
Secured bank borrowings — due within one year	15	—	—	21,480	28,640
		304	77,994	29,568	33,929
NET CURRENT LIABILITIES		(126)	(71,687)	(17,755)	(22,687)
TOTAL ASSETS LESS CURRENT LIABILITIES		512,267	547,639	638,615	630,236
NON-CURRENT LIABILITIES					
Secured bank borrowings — due after one year	15	—	—	378,520	371,360
Amounts due to fellow subsidiaries	16	726,378	781,624	294,867	295,801
Amount due to ultimate holding company	17	—	—	181,759	184,299
		726,378	781,624	855,146	851,460
		(214,111)	(233,985)	(216,531)	(221,224)
CAPITAL AND RESERVE					
Share capital	18	—	—	—	—
Accumulated losses		(214,111)	(233,985)	(216,531)	(221,224)
		(214,111)	(233,985)	(216,531)	(221,224)

Balance sheets

	Notes	As at 31st March, 2000 HK$'000	As at 31st March, 2001 HK$'000	As at 31st March, 2002 HK$'000	As at 30th June, 2002 HK$'000
NON-CURRENT ASSET					
Interests in subsidiaries	12	82,934	82,934	179,321	184,220
CURRENT ASSETS					
Other receivables		76,814	—	4	—
Amount due from a fellow subsidiary		—	—	2,361	—
		76,814	—	2,365	—
TOTAL ASSETS		159,748	82,934	181,686	184,220
NON-CURRENT LIABILITIES					
Amount due to a fellow subsidiary	16	159,788	82,981	—	—
Amount due to ultimate holding company	17	—	—	181,759	184,299
		159,788	82,981	181,759	184,299
		(40)	(47)	(73)	(79)
CAPITAL AND RESERVE					
Share capital	18	—	—	—	—
Accumulated losses	19	(40)	(47)	(73)	(79)
		(40)	(47)	(73)	(79)

Combined statement of changes in equity

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 1999	—	(946)	(946)
Loss for the year	—	(213,165)	(213,165)
At 31st March, 2000	—	(214,111)	(214,111)
Loss for the year	—	(19,874)	(19,874)
At 31st March, 2001	—	(233,985)	(233,985)
Profit for the year	—	17,454	17,454
At 31st March, 2002	—	(216,531)	(216,531)
Loss for the period	—	(4,693)	(4,693)
As at 30th June, 2002	—	(221,224)	(221,224)

Combined cash flow statements

	Notes	Year ended 31st March, 2000 HK$'000	2001 HK$'000	2002 HK$'000	Three months ended 30th June, 2002 HK$'000
OPERATING ACTIVITIES					
Cash used in operations	20	(389)	(11,113)	(1,544)	(34)
Interest received		29	20	—	—
NET CASH USED IN OPERATING ACTIVITIES		(360)	(11,093)	(1,544)	(34)
INVESTING ACTIVITIES					
Payments in respect of property, plant and equipment		(18,980)	(30,336)	(75,260)	(82)
Proceeds on disposal of property, plant and equipment		—	21	—	28
Acquisition of subsidiary, net of cash and cash equivalent	21	33	—	—	—
NET CASH USED IN INVESTING ACTIVITIES		(18,947)	(30,315)	(75,260)	(54)
FINANCING ACTIVITIES					
Advances from (repayment to) fellow subsidiaries		19,345	55,246	(486,757)	934
Bank borrowings raised		—	—	400,000	—
Interest paid		—	(13,627)	(17,644)	(3,936)
Advance from ultimate holding company		—	—	181,759	2,540
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		19,345	41,619	77,358	(462)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		38	211	554	(550)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		10	48	259	813
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR, representing bank balances and cash		48	259	813	263

Notes to the financial information

1. **Basis of preparation of financial information**

The combined income statements and combined cash flow statements of the companies now comprising the Rosedale Hotel group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or acquisition, where this is a shorter period. The combined balance sheet of the Rosedale Hotel group as at 31st March, 2000, 2001, 2002 and 30th June, 2002 have been prepared to present the assets and liabilities of the Rosedale Hotel group as at the respective dates as if the current group structure had been in existence as at those dates.

All significant intra-group transactions and balances have been eliminated on combination.

The financial information has been prepared on the basis that the proposed disposal of the Rosedale Hotel group to China Land Group Limited will be completed and that China Land Group Limited will ensure that the Rosedale Hotel group has sufficient funding to enable the Rosedale Hotel group to repay in full its financial obligation as they fall due for the foreseeable future. Accordingly, the financial information has been prepared on a going concern basis.

2. **Principal accounting policies**

The financial information set out in this report has been prepared under the historical cost convention and in accordance with the accounting policies which conform with the accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Revenue recognition

Hotel revenue from room and other ancillary services is recognised when the services are provided.

Interest income is accrued on a time basis by reference to the principal and at the interest rate applicable.

Interests in subsidiaries

Interests in subsidiaries are included in Rosedale's balance sheet at cost, less any identified impairment loss.

Goodwill

Goodwill arising on combination represents the excess of the cost of acquisition over the Rosedale Hotel group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Property, plant and equipment

Hotel property

Hotel property under construction is stated at cost less accumulated impairment loss. No depreciation or amortisation is provided. Cost comprises land costs, development costs, borrowing cost capitalised in accordance with the Rosedale Hotel group's accounting policy and other direct cost attributable to the property.

Hotel property is stated at cost less accumulated impairment loss. No depreciation or amortisation is provided on hotel property. It is the Rosedale Hotel group's policy to maintain in a continual state of sound repair and maintenance and to extend and make improvements thereto from time to time, and accordingly the directors consider that given the estimated life of this asset any depreciation would be insignificant.

The gain or loss arising from disposal or retirement of hotel property is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Other property, plant and equipment

Property, plant and equipment, other than hotel property, is stated at cost less accumulated depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation is provided to write off the cost of the assets over their estimated useful lives, after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Plant and machinery	20%
Furniture and fixtures	10%-20%
Computer equipment	33⅓%
Motor vehicles	20%
Leasehold improvement	10%-20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant leases terms.

Impairment

At each balance sheet date, the Rosedale Hotel group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

3. All other borrowing costs are recognised as expenses in the year/period in which they are incurred.

Inventories

Inventories comprising food, beverage and general stores, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Taxation

The charge for taxation is based on the results for the Relevant Periods as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial information. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial information to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Retirement benefit costs

The retirement benefit costs charged to the income statement represent the contribution payable in respect of the Relevant Periods to the Rosedale Hotel group's defined contribution scheme.

3. **Turnover**

Turnover represents the net amounts received and receivable from outsider customers is analysed as follows:

	Year ended 31st March,			**Three months ended 30th June,**
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Room sales	—	3,614	43,089	10,682
Food and beverages sales	—	1,419	21,688	6,757
Consultancy service	—	—	141	131
	—	5,033	64,918	17,570

4. **Segmental information**

No analysis of the Rosedale Hotel group's segmental information by business or geographical segments is presented as the Rosedale Hotel group is solely engaged in hotel operations in Hong Kong. All identifiable assets of the Rosedale Hotel group are located in Hong Kong.

5. **(Loss) profit from operations**

	Year ended 31st March, 2000	Year ended 31st March, 2001	Year ended 31st March, 2002	Three months ended 30th June, 2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit from operations has been arrived at after charging:				
Directors' remuneration	—	—	—	—
Other staff costs (note 10)	140	8,091	28,795	6,750
Other retirement benefits scheme contributions	—	678	1,521	294
Total staff costs	140	8,769	30,316	7,044
Auditors' remuneration	15	42	88	36
Depreciation and amortisation	—	2,199	13,591	3,501
Goodwill acquired and impaired	217	—	—	260
Operating lease rentals in respect of premises	36	591	979	255
Loss on disposal of property, plant and equipment	—	10	—	—
and after crediting:				
Bank interest income	29	20	—	—

6. **Finance costs**

	Year ended 31st March, 2000	Year ended 31st March, 2001	Year ended 31st March, 2002	Three months ended 30th June, 2002
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest on:				
Bank loans not wholly repayable within five years	—	—	15,793	3,718
Other borrowing	—	—	58	—
Advance from a fellow subsidiary	—	13,627	1,275	—
Amortisation of bank loan arrangement fee	—	—	518	218
	—	13,627	17,644	3,936
Less: Amount capitalised included in property held under development	—	(9,202)	—	—
	—	4,425	17,644	3,936

7. **Taxation**

No provision of Hong Kong Profits Tax has been made as the Rosedale Hotel group has no assessable profits during the Relevant Periods.

The major components of deferred taxation credit (charge) not recognised for the Relevant Periods are as follows:

	Year ended 31st March,			Three months ended 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax effect of timing differences attributable to:				
Shortfall (excess) of tax allowances over depreciation	—	(2,027)	1,917	451
Tax losses arising	15	5,027	5,168	521
	15	3,000	7,085	972

At the balance sheet date, the major components of deferred taxation asset (liability) not recognised in the financial statements are as follows:

	As at 31st March,			As at 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation charged in the financial statements	—	(2,027)	(110)	341
Unutilised tax losses	1,712	6,739	11,907	12,428
	1,712	4,712	11,797	12,769

The deferred taxation asset is not recognised because it is uncertain whether the tax benefits will be realisable in the foreseeable future.

8. **Dividends**

No dividends have been paid or declared by the Rosedale Hotel group since the date of its incorporation. In addition, no dividends have been paid or declared by any of the companies comprising the Rosedale Hotel group during the Relevant Periods.

9. **Loss per share**

Loss per share had not been presented as such information is not required for disclosure for private companies.

10. **Employees' remunerations**

Employees' emoluments

The emoluments of the five highest paid individuals were as follows:

	Year ended 31st March,			Three months ended 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Salaries and allowances	140	2,112	2,921	818
Retirement benefits scheme contributions	—	50	111	28
	140	2,162	3,032	846

Emoluments of the five highest paid individuals were within the following bands:

Nil to HK$1,000,000	4	4	5	5
HK$1,000,001 to HK$1,500,000	—	1	—	—

During the Relevant Periods, no emoluments were paid by the Rosedale Hotel group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Rosedale Hotel group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

11. **Property, plant and equipment**

	Hotel property HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST							
At 1st April, 1999	705,674	—	—	—	—	—	705,674
On acquisition of subsidiary	—	—	268	85	—	—	353
Additions	18,980	—	—	—	—	—	18,980
At 31st March, 2000	724,654	—	268	85	—	—	725,007
Additions	47,845	252	57,119	3,947	—	—	109,163
Disposals	—	—	(44)	—	—	—	(44)
At 31st March, 2001	772,499	252	57,343	4,032	—	—	834,126
Additions	—	4	2,999	371	302	1,959	5,635
At 31st March, 2002	772,499	256	60,342	4,403	302	1,959	839,761
Additions during the period	—	—	16	45	—	21	82
Disposals	—	—	(28)	—	—	—	(28)
At 30th June, 2002	772,499	256	60,330	4,448	302	1,980	839,815
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1st April, 1999	—	—	—	—	—	—	—
On acquisition of subsidiary	—	—	89	26	—	—	115
Impairment loss recognised	212,499	—	—	—	—	—	212,499
At 31st March, 2000	212,499	—	89	26	—	—	212,614
Provided for the year	—	8	1,921	270	—	—	2,199
Eliminated on disposals	—	—	(13)	—	—	—	(13)
At 31st March, 2001	212,499	8	1,997	296	—	—	214,800
Provided for the year	—	51	11,813	1,402	60	265	13,591
Write back of impairment loss	(45,000)	—	—	—	—	—	(45,000)
At 31st March, 2002	167,499	59	13,810	1,698	60	265	183,391
Provided for the period	—	13	3,010	365	15	98	3,501
At 30th June, 2002	167,499	72	16,820	2,063	75	363	186,892
NET BOOK VALUE							
At 31st March, 2000	512,155	—	179	59	—	—	512,393
At 31st March, 2001	560,000	244	55,346	3,736	—	—	619,326
At 31st March, 2002	605,000	197	46,532	2,705	242	1,694	656,370
At 30th June, 2002	605,000	184	43,510	2,385	227	1,617	652,923

During the year ended 31st March, 2000, the directors reviewed the carrying value of the hotel property and identified that the recoverable amount of the hotel property, estimated by reference to the cash flows from the property upon completion discounted at the prevailing interest rates, were lower than the carrying value. Accordingly, an impairment loss of approximately HK$212,499,000 had been identified and recognised in the combined income statement for the year ended 31st March, 2000.

The hotel property was completed during the year 2001.

During the year ended 31st March, 2002, the directors reviewed the carrying value of the hotel property and identified that the recoverable amount of the hotel property, estimated by reference to the cash flows from the hotel property discounted at the prevailing interest rates, exceeded its carrying value. Accordingly, an impairment loss of approximately HK$45,000,000 was written back to the combined income statement for the year ended 31st March, 2002.

The hotel property is situated in Hong Kong and is held under long term leases.

12. **Interests in subsidiaries**

		As at 31st March,		As at 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted shares, at cost	82,934	82,934	82,934	82,934
Amounts due from subsidiaries	—	—	96,387	101,286
	82,934	82,934	179,321	184,220

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid within one year and are therefore shown as non-current.

13. **Trade and other receivables**

The Rosedale Hotel group allows its trade customers with credit period normally ranging from 30 to 60 days.

The aged analysis of trade receivables at the respective balance sheet date is as follows:

	As at 31st March,			As at 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	—	1,607	2,444	1,822
31-60 days	—	50	188	410
Over 60 days	—	—	758	1,569
	—	1,657	3,390	3,801
Other receivables	130	1,796	4,771	4,557
	130	3,453	8,161	8,358

14. **Trade and other payables**

The aged analysis of trade payables at the respective balance sheet date is as follows:

	As at 31st March,			As at 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-30 days	13	3,192	1,165	1,566
31 days - 60 days	—	1,704	977	450
Over 60 days	—	2,419	1,829	273
	13	7,315	3,971	2,289
Other payables	291	70,679	4,117	3,000
	304	77,994	8,088	5,289

15. **Secured bank borrowings**

	As at 31st March,			As at 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The bank loans are repayable as follows:				
Within one year	—	—	21,480	28,640
More than one year, but not exceeding two years	—	—	28,640	28,640
More than two years, but not exceeding five years	—	—	85,920	85,920
More than five years	—	—	263,960	256,800
	—	—	400,000	400,000
Less: Amount due within one year and shown under current liabilities	—	—	(21,480)	(28,640)
	—	—	378,520	371,360

16. **Amounts due to fellow subsidiaries**

The Rosedale Hotel group

The amounts are unsecured, have no fixed repayment terms and interest free, except for an amount of HK$450,000,000 for the year ended 31st March, 2001 which bore interest at 6% per annum. The amounts are not repayable within one year and are therefore shown as non-current.

Rosedale

The amount is unsecured, interest-free and has no fixed repayment terms. The amount is not repayable within one year and is therefore shown as non-current.

17. **Amount due to ultimate holding company**

The Rosedale Hotel group and Rosedale

The amount is unsecured, interest-free and has no fixed repayment terms. The amount is not repayable within one year and is therefore shown as non-current.

18. **Share capital**

For the purpose of this report, the share capital as at 31st March, 2000, 2001 and 2002 represented the aggregate amount of the nominal value of the issued and fully paid share capital of certain companies now comprising the Rosedale Hotel group as at the date.

The share capital as at 30th June, 2002 represented the nominal value of the issued and fully paid share capital of Rosedale as at the date.

19. **Accumulated losses**

Rosedale

	HK$'000
At 1st April, 1999	(31)
Loss for the year	(9)
At 31st March, 2000	(40)
Loss for the year	(7)
At 31st March, 2001	(47)
Loss for the year	(26)
At 31st March, 2002	(73)
Loss for the period	(6)
At 30th June, 2002	(79)

20. **Reconciliation of (loss) profit from operations to cash used in operations**

	Year ended 31st March,			Three months ended 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Loss) profit from operations	(213,165)	(15,449)	35,098	(757)
Adjustment for:				
Interest income	(29)	(20)	—	—
Depreciation and amortisation	—	2,199	13,591	3,501
Goodwill recognised and impaired	217	—	—	260
(Write back of) impairment loss recognised on property, plant and equipment	212,499	—	(45,000)	—
Loss on disposal of property, plant and equipment	—	10	—	—
Operating cash flow before movements in working capital	(478)	(13,260)	3,689	3,004
Decrease (increase) in inventories	—	(2,595)	(244)	218
Increase in trade and other receivables	(83)	(3,323)	(4,708)	(193)
(Decrease) increase in trade and other payables	172	8,065	(281)	(3,063)
Cash used in operations	(389)	(11,113)	(1,544)	(34)

21. **Acquisition of subsidiaries**

During the year ended 31st March, 2000, Paul Y. acquired the entire interest in Rosedale Hotel Management Limited. Through a group reorganisation, Paul Y. transferred all of its interest in Rosedale Hotel Management Limited to Rosedale at a nominal consideration. This acquisition has been accounted for by the acquisition method of accounting as if Rosedale had acquired Rosedale Hotel Management Limited from Paul Y. at a nominal consideration in the year ended 31st March, 2000.

During the three months ended 30th June, 2002, Rosedale acquired the entire interest in Rosedale Hotel Management International Limited at a nominal consideration. This acquisition has been accounted for by the acquisition method of accounting.

	Year ended 31st March,			Three months ended 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets acquired:				
Property, plant and equipment	238	—	—	—
Trade and other receivables	47	—	—	4
Bank balances and cash	33	—	—	—
Trade and other payables	(535)	—	—	(264)
	(217)	—	—	(260)
Goodwill arising on acquisition and impaired	217	—	—	260
	—	—	—	—

Analysis of the net cash outflow of cash and cash equivalent in connection with the acquisition of subsidiary:

	Year ended 31st March,			Three months ended 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank balances and cash acquired	33	—	—	—

The subsidiary acquired during the year ended 31st March, 2000 and three months ended 30th June, 2002 had no significant impact on the cash flows, turnover and results of the Rosedale Hotel group for the year/period then ended.

22. **Capital commitments**

The Rosedale Hotel group

	As at 31st March,			As at 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	—	1,071	—	—
Capital expenditure in respect of the property under development authorised but not contracted for	120,188	—	—	—

23. **Operating lease commitments**

The Rosedale Hotel group made minimum lease payment of approximately HK$36,000, HK$591,000, HK$979,000 and HK$255,000 in respect of premises for the year ended 31st March, 2000, 2001, 2002 and three months ended 30th June, 2002 respectively.

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

	As at 31st March,			As at 30th June,
	2000	**2001**	**2002**	**2002**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	928	907	675
In the second to fifth year inclusive	—	907	—	—
	—	1,835	907	675

Operating lease payments represent rental payable by the Rosedale Hotel group for its warehouses and restaurants. Leases are negotiated for an average term of two years with fixed rentals.

24. **Contingent liabilities**

At 31st March, 2000, 2001, 2002 and 30th June, 2002, the Rosedale Hotel group did not have any significant contingent liabilities.

25. **Pledge of assets**

At 31st March, 2000, the Rosedale Hotel group had no pledge of asset.

At 31st March, 2001, the hotel property of the Rosedale Hotel group was pledged to third parties to secure a convertible redeemable note with principal amount of HK$450,000,000 issued by Paul Y.. The convertible redeemable note was redeemed by Paul Y. for the year ended 31st March, 2002.

At 31st March, 2002 and 30th June 2002, the following assets were pledged to certain banks to secure bank borrowings granted to the Rosedale Hotel group:

(a) hotel property;

(b) a fixed charge over all the revenue and a floating charge over the assets of Rosedale Park Limited; and

(c) a fixed charge over all the shares of Hey Wealth Limited.

26. **Retirement benefits schemes**

The Rosedale Hotel group operates defined contribution retirement benefit schemes for qualifying employees. The assets of the schemes are separately held in funds under the control of trustees.

The cost charged to the income statement represents contributions payable to the funds by the Rosedale Hotel group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, the contributions payable by the Rosedale Hotel group are reduced by the amount of forfeited contributions.

At the respective balance sheet date, there were no material forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Rosedale Hotel group's contributions becoming fully vested and which are available to reduce the contributions payable by the Rosedale Hotel group in future years.

With effective from 1st December, 2000, the Rosedale Hotel group has joined a mandatory provident fund scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Rosedale Hotel group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Rosedale Hotel group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Rosedale Hotel group at the rates specified in the rules of the scheme.

27. **Related party transactions**

In addition to notes 12, 16, 17 and 25, the Rosedale Hotel group has the following related party transactions:

Name of related party	Nature of transactions	Year ended 31st March, 2000	Year ended 31st March, 2001	Year ended 31st March, 2002	Three months ended 30th June, 2002
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(a) Ultimate holding company					
Paul Y.	Rooms and food & beverages sales	—	200	43	15
(b) Subsidiaries of Paul Y.					
Paul Y. - ITC General Contractors Limited	Construction costs of hotel property	66,801	91,765	74,302	—
Paul Y. - ITC Management Limited	Interest expenses paid	—	13,627	1,275	—
	Rooms and food & beverage sales	—	50	163	5
Paul Y. Properties Group Limited	Rooms and food & beverages sales	—	22	1	—
Paul Y. - ITC Interior Contractors Limited	Construction costs of hotel property	—	—	221	—
Paul Y. Construction Company, Limited	Rooms and food & beverages sales	—	—	—	8
(c) Associates of Paul Y.					
Downer Construction (Hong Kong) Limited	Rooms and food & beverages sales	—	67	43	—
Icfox Hong Kong Limited	Rooms and food & beverages sales	—	117	—	—
Icfox International Limited	Rooms and food & beverages sales	—	278	7	7

For the year ended 31st March, 2002 and three months ended 30th June, 2002, Paul Y. issued corporate guarantee to banks to secure banking facilities granted to the Rosedale Hotel group. In the opinion of the directors, such guarantee is expected to be released and replaced by guarantees of China Land Group Limited upon completion of the acquisition of the Rosedale Hotel group.

In the opinion of the directors, the above related party transactions are agreed and determined by both parties and are in the ordinary course of business for the Relevant Periods.

II. SUBSEQUENT FINANCIAL INFORMATION

No audited financial information of the Rosedale Hotel group, Rosedale or any of its subsidiaries have been prepared in respect of any period subsequent to 30th June, 2002.

Yours faithfully,
DELOITTE TOUCHE TOHMATSU
Certified Public Accountants
Hong Kong