

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30th June, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see Note 3).

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the six months ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 “Business combinations” and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation in respect of goodwill between the date of acquisition of the relevant associate and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from an asset in the balance sheet. Goodwill is amortised over its estimated useful life on a straight line basis over a period of 20 years. Negative goodwill will be released to income on a straight line basis over a period of 20 years. The effect of these adjustments is summarised in note 3.

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3. PRIOR PERIOD ADJUSTMENTS

The financial effect of the adoption of the new and revised accounting policies described in note 2 is summarised below:

	Capital reserve <i>HK\$</i>	Retained profits <i>HK\$</i>
Balance at 1st July, 2000		
As originally stated	332,496,663	247,716,496
Derecognition of liability for final dividend for the year ended 30th June, 2000	—	7,761,193
Restatement of negative goodwill held in reserves and retrospective recognition to income	<u>(42,059,973)</u>	<u>7,360,500</u>
As restated	<u>290,436,690</u>	<u>262,838,189</u>

The effect of these changes in accounting policies on the results for the current and prior periods is as follows:

	6 months ended 31.12.2001 <i>HK\$</i>	Year ended 30.6.2001 <i>HK\$</i>	6 months ended 31.12.2000 <i>HK\$</i>
Recognition of negative goodwill	<u>1,051,500</u>	<u>2,103,000</u>	<u>1,051,500</u>

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4. SEGMENT INFORMATION

Business segments:

	Turnover		Contribution to profit from operations	
	Six months ended		Six months ended	
	31.12.2001	31.12.2000 (As restated)	31.12.2001	31.12.2000 (As restated)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hotel operations	55,083,606	65,871,607	18,012,588	23,441,487
Restaurant and club operations	8,734,197	13,584,967	(2,682,894)	2,246,014
Others	975,000	1,351,194	975,000	1,351,194
	<u>64,792,803</u>	<u>80,807,768</u>	<u>16,304,694</u>	27,038,695
Unallocated corporate expenses			<u>(644,796)</u>	<u>(870,520)</u>
Profit from operations			<u>15,659,898</u>	<u>26,168,175</u>

All of the activities of the Group are based in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong") and all of the Group's turnover and operating profit are derived from Hong Kong.

5. PROFIT FROM OPERATIONS

	Six months ended	
	31.12.2001 <i>HK\$</i>	31.12.2000 <i>HK\$</i>
Profit from operations has been arrived at after charging (crediting):		
Cost of hotel inventories recognised as an expense	5,346,381	6,936,062
Depreciation	720,943	637,434
Recognition of negative goodwill	<u>(1,051,500)</u>	<u>(1,051,500)</u>

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6. FINANCE INCOME

	Six months ended	
	31.12.2001	31.12.2000
	HK\$	HK\$
Interest income on:		
– advance to an associate	1,531,402	1,384,529
– bank deposits	209,888	766,581
	<u>1,741,290</u>	<u>2,151,110</u>

7. FINANCE COSTS

	Six months ended	
	31.12.2001	31.12.2000
	HK\$	HK\$
Interest expenses on:		
– bank borrowings	10,928,812	26,263,913
– advance from an associate	4,848,729	5,564,634
– other unsecured loans	15,548,209	15,249,999
	<u>31,325,750</u>	<u>47,078,546</u>
Financing charges	930,173	654,502
	<u>32,255,923</u>	<u>47,733,048</u>

8. TAXATION

	Six months ended	
	31.12.2001	31.12.2000
	HK\$	HK\$
The charge comprises:		
Hong Kong Profits Tax calculated at the rate of 16% on the estimated assessable profit for the period		
Provision for the period	922,071	2,601,222
Underprovision in prior periods	137,212	73,345
	<u>1,059,283</u>	<u>2,674,567</u>
Share of taxation attributable to associates	3,753,500	4,060,750
	<u>4,812,783</u>	<u>6,735,317</u>

There is no significant unprovided deferred taxation in either period.

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9. DIVIDENDS

	Six months ended	
	31.12.2001	31.12.2000
	HK\$	HK\$
Final dividend paid for the year ended 30th June, 2001: HK1 cent (year ended 30th June, 2000: HK1 cent) per share	<u>7,891,396</u>	<u>7,761,193</u>

The Directors have determined that an interim dividend of HK1 cent (six months ended 31st December, 2000: HK1 cent) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 17th April, 2002.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the period of HK\$25,488,836 (six months ended 31st December, 2000: HK\$34,261,835 as restated) and on the weighted average number of 789,757,119 (six months ended 31st December, 2000: 776,454,805) shares in issue during the period.

The adjustment to comparative earnings per share, arising from the changes in accounting policies shown in note 3 above, is as follows:

	<i>HK cents</i>
Reconciliation of earnings per share for the six months ended 31st December, 2000	
Reported figure before adjustment	4.28
Adjustment arising from the adoption of SSAP 30	<u>0.13</u>
Restated figure	<u>4.41</u>

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$1,972,000 (six months ended 31st December, 2000: HK\$1,032,000) on property, plant and equipment.

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12. INTERESTS IN ASSOCIATES

	31.12.2001 <i>HK\$</i>	30.6.2001 <i>HK\$</i>
Share of net assets	1,484,990,807	1,254,767,953
Goodwill (negative goodwill)	138,817,754	(32,596,473)
	1,623,808,561	1,222,171,480
Advances to associates	305,315,037	813,063,137
	1,929,123,598	2,035,234,617

13. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. A breakdown of trade and other receivables and an aged analysis of trade receivables is as follows:

	31.12.2001 <i>HK\$</i>	30.6.2001 <i>HK\$</i>
Trade receivables		
0 – 30 days	3,162,595	2,997,333
31 – 60 days	445,518	491,062
61 – 90 days	129,469	385,332
Over 90 days	43,533	53,485
	3,781,115	3,927,212
Other receivables	7,351,217	3,801,808
	11,132,332	7,729,020

14. TRADE AND OTHER PAYABLES

A breakdown of trade and other payables and an aged analysis of trade payables is as follows:

	31.12.2001 <i>HK\$</i>	30.6.2001 <i>HK\$</i>
Trade payables		
0 – 30 days	4,483,530	4,895,712
31 – 60 days	34,017	87,620
61 – 90 days	3,880	4,531
Over 90 days	964	13,624
	4,522,391	5,001,487
Other payables	9,226,969	12,789,403
	13,749,360	17,790,890

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15. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	31.12.2001	30.6.2001	31.12.2001 HK\$	30.6.2001 HK\$
Authorised:				
At beginning and end of the period/year	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>	<u>3,000,000,000</u>
Issued and fully paid:				
At beginning of the period/year	789,139,626	776,119,328	789,139,626	776,119,328
Issued pursuant to the scrip dividend schemes	<u>8,115,621</u>	<u>13,020,298</u>	<u>8,115,621</u>	<u>13,020,298</u>
At end of the period/year	<u>797,255,247</u>	<u>789,139,626</u>	<u>797,255,247</u>	<u>789,139,626</u>

During the period, the shareholders who were entitled to receive cash dividend of HK\$6,963,203 elected to receive shares in the Company in lieu of cash for the final dividends in respect of the financial year ended 30th June, 2001 pursuant to the scrip dividend scheme announced by the Company. The average closing price of HK\$0.858 was used to calculate the number of scrip dividend shares to be issued. The Company issued and allotted a total of 8,115,621 shares of HK\$1 each at par. This resulted in a shortfall of HK\$1,152,418 between the par value of those shares and the amount payable in respect thereof under the scrip dividend scheme. This shortfall was paid in cash personally by the Company's major shareholder as a goodwill gesture to the Company.

The shares issued during the period rank pari passu in all respects with the existing shares in issue.

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16. RESERVES

	Capital reserve <i>HK\$</i>	Investment revaluation reserve <i>HK\$</i>	Share premium <i>HK\$</i>	Distributable reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
At 1st July, 2000						
As previously stated	332,496,663	(152,361,696)	54,904,517	1,532,787,278	247,716,496	2,015,543,258
Prior period adjustments (note 3)	(42,059,973)	—	—	—	15,121,693	(26,938,280)
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As restated	290,436,690	(152,361,696)	54,904,517	1,532,787,278	262,838,189	1,988,604,978
Movement on revaluation reserve	—	(46,434,535)	—	—	—	(46,434,535)
Premium on issue of shares	—	—	883,283	—	—	883,283
Share issue expenses	—	—	(143,942)	—	—	(143,942)
Net profit for the year	—	—	—	—	51,733,627	51,733,627
Dividends paid	—	—	—	—	(15,584,114)	(15,584,114)
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At 30th June, 2001	290,436,690	(198,796,231)	55,643,858	1,532,787,278	298,987,702	1,979,059,297
Movement on revaluation reserve	—	(35,139,649)	—	—	—	(35,139,649)
Share issue expenses	—	—	(119,994)	—	—	(119,994)
Net profit for the period	—	—	—	—	25,488,836	25,488,836
Dividend paid	—	—	—	—	(7,891,396)	(7,891,396)
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At 31st December, 2001	290,436,690	(233,935,880)	55,523,864	1,532,787,278	316,585,142	1,961,397,094

17. CONTINGENCIES AND COMMITMENTS

	31.12.2001 <i>HK\$</i>	30.6.2001 <i>HK\$</i>
Guarantee given to bankers, in respect of loan facilities utilised by an associate	144,000,000	152,000,000
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Commitments for the acquisition of property, plant and equipment contracted but not provided for in the financial statements	12,968,000	—
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