

I. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" and Appendix 16 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited. The same accounting policies and methods of computation adopted in the annual financial statements for the year ended 30 June 2001 have been applied to the interim financial statements except the Group has adopted the new and revised SSAPs with effect from 1 July 2001 as described below.

(a) *Proposed dividend*

In accordance with the revised SSAP 9 "Events after the balance sheet date", dividend declared or proposed after balance sheet date are not recognised as a liability at balance sheet date but recognised as a separate component of shareholders' funds. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$11.6 million previously recorded as a current liability as at 30 June 2001 has been restated, resulting an increase in shareholders' funds from HK\$1,662.6 million to HK\$1,674.2 million.

1. Basis of preparation (continued)

(b) Goodwill/negative goodwill

In prior years, goodwill/negative goodwill arising on consolidation of subsidiaries and jointly controlled entities, representing the excess/shortfall of the cost of the acquisition over the appropriate share of the fair value of the separable net assets at the date of acquisition, was taken to reserves in the year in which it arose. On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill/negative goodwill is included in calculating the profit or loss on disposal.

With effect from 1 July 2001, the Group adopted an accounting policy to recognise goodwill as an asset which is amortised on a straight-line basis over its estimated useful life and for negative goodwill to be recognised in the consolidated income statement in accordance with the provisions of SSAP 30 "Business combinations". On disposal of a subsidiary or jointly controlled entity, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

The Group has taken advantage of the transitional provisions in SSAP 30 and has made no retrospective adjustment to goodwill/negative goodwill that arose from acquisitions prior to 1 July 2001, which has been previously taken to reserves.

2. Segment information

As the Group's principal business is the operation of hotels and the majority of these activities during the period were carried out in Hong Kong, an analysis of the Group's turnover and profit by business and geographical segment has not been provided.

3. Turnover

Turnover excludes interest income, comparative figure has been restated accordingly.

4. Profit from operations

	2001 HK\$Million	2000 HK\$Million
Profit from operations is arrived at after charging / (crediting):		
Cost of inventories	7.8	8.7
Depreciation	7.4	7.4
Interest income	(1.8)	(5.2)
Management fee income	(5.2)	(5.4)

Interest income is now presented as other revenue for the current period and comparative figure has been restated accordingly.

5. Taxation

Provision for Hong Kong profits tax has been made at 16% on the estimated assessable profits for the period. No provision has been made for overseas taxation and Hong Kong profits tax in respect of jointly controlled entities.

The Group is currently in discussion with the Inland Revenue Department regarding a dispute over the deductibility of certain interest payments in previous years' tax computations. As at the balance sheet date, the outcome of the said dispute remained undetermined and substantial tax provision has previously been made in the accounts on the grounds of prudence.

6. Earnings per share

The calculation of earnings per share is based on the net profit attributable to shareholders of HK\$12.5 million (2000: HK\$28.1 million) and 621.6 million 'A' shares and 600 million 'B' shares in issue during the period.

7. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis:

	31/12/2001 HK\$Million	30/6/2001 HK\$Million
Within 1 month	6.3	6.2
1 - 3 months	4.3	2.7
	10.6	8.9

The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

8. Creditors and accrued expenses

Included in creditors and accrued expenses are trade creditors with the following ageing analysis:

	31/12/2001 HK\$Million	30/6/2001 HK\$Million
Within 1 month	8.1	8.1

9. Commitments

At 31 December 2001, capital commitments contracted but not provided for, amounted to HK\$4.0 million (30/6/2001: HK\$ Nil).

10. Related party transactions

During the period, the Group received management fees totalling HK\$5.2 million (2000: HK\$5.4 million) from a jointly controlled entity. The amount receivable by the Group is based on a fixed sum or at a percentage of gross revenue.