

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Auditing 910 “Engagements to review financial statements”. KPMG’s independent review report to the board of directors is included on page 13.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The financial information relating to the financial year ended 31 December 2001 included in the interim financial report does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2001 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 20 March 2002.

The same accounting policies adopted in the 2001 annual accounts have been applied to the interim financial report.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2001 annual accounts.

2. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Investment holding:	The activities of investing
Hospitality related services:	The provision of hotel management, hotel reservation services, risk management services, bulk purchasing and e-procurement enabler, hospitality application service provider and accounting and payroll services.

	Investment Holding		Hospitality Related Services		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	5,927	8,392	34,532	45,866	40,459	54,258
Profit/(loss) from operations	20,059	(22,561)	(19,554)	(4,617)	505	(27,178)
Finance costs					—	(8)
Taxation					(425)	(6)
Minority interests					2,895	694
Profit/(loss) attributable to shareholders					2,975	(26,498)
Depreciation and amortisation for the period	565	966	1,037	647	1,602	1,613

Geographical segments

The Group's investing activities are mainly carried out in Hong Kong.

The hospitality related services are carried out by the subsidiaries based in the United States.

In presenting information on the basis of geographical segments, segment revenue, in relation to investment holding is based on the geographical location of investments and segment revenue in relation to hospitality related services is based on the geographical location of customers.

	Hong Kong		United States	
	Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>5,927</u>	<u>8,392</u>	<u>34,533</u>	<u>45,866</u>

3. ADMINISTRATIVE EXPENSES

Administrative expenses were largely incurred by the hospitality related services business units and it included a one-off restructuring charge amounting to HK\$15.6 million (2001: HK\$nil).

4. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on borrowings	—	8
Depreciation of fixed assets	1,571	1,613
Amortisation of intangible assets	31	—
Exchange (gain)/loss (net)	(17,136)	27,702
Net gain on sale of fixed assets	(132)	(726)
Unrealised gain on stating securities at fair value (net)	<u>(810)</u>	<u>(4,041)</u>

5. TAXATION

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong taxation	411	—
Overseas taxation	14	6
	<u>425</u>	<u>6</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong. Overseas taxation has been provided on estimated assessable profits at the rates of taxation prevailing in the countries in which the Group operates.

The Company is exempted from taxation in the Cayman Islands for a period of twenty years from 1989 under the provisions of Section 6 of the Tax Concessions Law (Revised) of the Cayman Islands.

6. DIVIDENDS

- a) Dividends attributable to the interim period

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2002 (2001: Nil).

- b) Dividends attributable to the previous financial year, approved and paid during the interim period.

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Final dividends in respect of the previous financial year, approved and paid during the interim period, of nil cents (2001: 2 cents) per share	<u>—</u>	<u>7,663</u>

7. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on profit/(loss) after taxation attributable to shareholders of HK\$3.0 million (2001: HK\$(26.5) million) and on 383,125,524 (2001: 383,125,524) ordinary shares in issue during the period.

b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is not applicable as there are no dilutive potential ordinary shares during the period.

8. TRADE AND OTHER RECEIVABLES

Trade and other receivables net of provisions for bad and doubtful receivables are analysed as follows:

	At 30 June 2002	At 31 December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	7,101	6,559
1 to 3 months overdue	1,411	163
More than 3 months overdue but less than 12 months overdue	320	—
Total trade receivables	<u>8,832</u>	<u>6,722</u>
Other receivables, deposits and prepayments	17,327	8,646
Amounts owing by affiliated companies	<u>26,701</u>	<u>17,916</u>
	<u>52,860</u>	<u>33,284</u>

Debts are due within 1 month from the date of billing. However, debtors with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

9. CASH AND CASH EQUIVALENTS

	At 30 June 2002	At 31 December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits with banks and other financial institutions	327,077	307,145
Cash at banks and in hand	<u>156,507</u>	<u>194,751</u>
	<u>483,584</u>	<u>501,896</u>

10. TRADE AND OTHER PAYABLES

Trade and other payables are analysed as follows:

	At 30 June 2002	At 31 December 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Due within one month or on demand	4,915	4,024
Total trade payables	4,915	4,024
Other payables and accrued charges	34,174	32,334
Amounts owing to affiliated companies	—	2,589
	<u>39,089</u>	<u>38,947</u>

11. SHARE CAPITAL

	No. of shares	
Issued and fully paid	<i>'000</i>	<i>HK\$'000</i>
At 30 June 2002	383,126	383,126

During the period ended 30 June 2002, there was no change in the Company's issued share capital.

At 30 June 2002, there were no outstanding share options.

12. RESERVES

The movements in reserves are set out in the Statement of Changes in Equity.

13. COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings, which are payable within 1 year, amounted to HK\$2,464,000 (31 December 2001: HK\$Nil).

As at 30 June 2002, the Group has no commitments to purchase or sell foreign currencies. As at 31 December 2001, the Group was committed to purchase foreign currencies totalling HK\$285,460,000 and sell foreign currencies totalling HK\$284,626,000 under certain forward foreign exchange contracts entered into in the normal course of business.

14. MATERIAL RELATED PARTY TRANSACTIONS

During the period, there were the following material related party transactions:

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Pricing determined on agreed terms:		
- rental expenses paid/payable to affiliated company	—	601
- management fees received/receivable from affiliated company	17,466	16,424
- sale of fixed assets to affiliated companies	—	715
- income from sale of operating equipment received/receivable from affiliated companies	536	—
	<u>536</u>	<u>—</u>

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.