

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2002

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, 2002, except as described below.

In the current period, the Group 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. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash Flow Statements

In the current period, the Group adopted SSAP 15 (Revised) “Cash flow statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating/investing/financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions – hotel operations, restaurant and club operations and hotel management services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operations	–	operate a hotel
Restaurant and club operations	–	operate a restaurant and a club
Hotel management services	–	provide hotel management services

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3. SEGMENT INFORMATION (Continued)

Segment information about these businesses is presented below.

Six months ended 31st December, 2002

	Hotel operations <i>HK\$</i>	Restaurant and club operations <i>HK\$</i>	Hotel management services <i>HK\$</i>	Consolidated <i>HK\$</i>
TURNOVER	<u>63,415,082</u>	<u>3,192,833</u>	<u>1,516,236</u>	<u>68,124,151</u>
RESULT				
Segment result	25,854,451	886,143	1,516,236	28,256,830
Unallocated corporate expenses				<u>(2,048,945)</u>
Profit from operations				<u>26,207,885</u>

Six months ended 31st December, 2001

	Hotel operations <i>HK\$</i>	Restaurant and club operations <i>HK\$</i>	Hotel management services <i>HK\$</i>	Consolidated <i>HK\$</i>
TURNOVER	<u>55,083,606</u>	<u>8,734,197</u>	<u>975,000</u>	<u>64,792,803</u>
RESULT				
Segment result	18,012,588	(2,682,894)	975,000	16,304,694
Unallocated corporate expenses				<u>(1,696,296)</u>
Profit from operations				<u>14,608,398</u>

4. PROFIT FROM OPERATIONS

	Six months ended	
	31.12.2002	31.12.2001
	<i>HK\$</i>	<i>HK\$</i>

Profit from operations has been arrived at after charging:

Cost of hotel inventories	3,781,127	5,346,381
Depreciation of property, plant and equipment	<u>1,385,380</u>	<u>720,943</u>

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5. FINANCE INCOME

	Six months ended	
	31.12.2002	31.12.2001
	HK\$	HK\$
Interest income on		
– advance to an associate	248,446	1,531,402
– bank deposits	104,056	209,888
	352,502	1,741,290

6. FINANCE COSTS

	Six months ended	
	31.12.2002	31.12.2001
	HK\$	HK\$
Interest expenses on		
– bank borrowings	6,584,676	10,928,812
– advance from an associate	4,332,864	4,848,729
– other unsecured loans	7,895,858	15,548,209
	18,813,398	31,325,750
Financing charges	651,925	930,173
	19,465,323	32,255,923

7. SHARE OF RESULTS OF ASSOCIATES

Share of results of associates includes amortisation of an associate's goodwill of HK\$4,259,100 (six months ended 31st December, 2001: Nil) and release of an associate's negative goodwill of HK\$1,051,500 (six months ended 31st December, 2001: HK\$1,051,500).

8. TAXATION

	Six months ended	
	31.12.2002	31.12.2001
	HK\$	HK\$
Hong Kong Profits Tax calculated at the rate of 16% or 17.5%, as appropriate (six months ended 31st December, 2001: 16%), on the estimated assessable profit for the period		
The Company and subsidiaries:		
Current period	1,409,105	922,071
(Over)underprovision in prior periods	(499,546)	137,212
	909,559	1,059,283
Share of taxation attributable to associates	4,986,000	3,753,500
	5,895,559	4,812,783

There was no significant unprovided deferred taxation for both periods.

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9. DIVIDEND

	Six months ended	
	31.12.2002	31.12.2001
	HK\$	HK\$
Final dividend for the year ended 30th June, 2002: HK1 cent (year ended 30th June, 2001: HK1 cent) per share	<u>8,030,542</u>	<u>7,891,396</u>

The Directors determined that an interim dividend for the six months ended 31st December, 2002 of HK1.5 cents (six months ended 31st December, 2001: HK1 cent) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 16th April, 2003.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the period of HK\$42,711,700 (six months ended 31st December, 2001: HK\$25,488,836) and on the weighted average number of 803,491,855 (six months ended 31st December, 2001: 789,757,119) shares in issue during the period.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st December, 2002, the Group spent approximately HK\$1,528,000 (six months ended 31st December, 2001: HK\$1,972,000) on property, plant and equipment.

12. INTERESTS IN ASSOCIATES

	31.12.2002	30.6.2002
	HK\$	HK\$
Share of net assets	1,260,419,363	1,237,310,568
Goodwill	161,844,527	166,103,627
Negative goodwill	<u>(29,441,973)</u>	<u>(30,493,473)</u>
	<u>1,392,821,917</u>	<u>1,372,920,722</u>

The Inland Revenue Department (the "IRD") initiated a tax inquiry for the years of assessment 1994/95 to 2001/02 on a wholly-owned subsidiary, Bestown Property Limited ("Bestown") of the Group's associate, Asian Glory Limited ("AGL"). Notices of assessment in an amount of approximately HK\$134,103,000 were issued to Bestown for the years under review and objections were properly lodged with the IRD by Bestown. The effective share of the assessment attributable to the Group as at 31st December, 2002 is estimated to be approximately HK\$33,526,000. In the opinion of the management of Bestown, as the tax inquiry is still at its preliminary stage of fact finding and the fact finding process is likely to continue for some time, the ultimate outcome of the tax inquiry, which may not be known for some years, cannot presently be determined by the management of Bestown with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of Bestown as at 31st December, 2002.

The Directors of the Company have taken note of the above matters and have made due inquiries. Nothing has come to the attention of the Board of Directors of the Company which indicates that there has been material subsequent development or change in status in respect of the above matters.

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13. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. An aged analysis of trade receivables is as follows:

	31.12.2002	30.6.2002
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables		
0 – 30 days	4,795,629	3,494,035
31 – 60 days	352,236	443,030
61 – 90 days	118,366	3,730
Over 90 days	37,708	41,562
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	5,303,939	3,982,357
Other receivables	2,684,754	2,452,609
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	7,988,693	6,434,966
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14. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	31.12.2002	30.6.2002
	<i>HK\$</i>	<i>HK\$</i>
Trade payables		
0 – 30 days	5,449,598	2,980,780
31 – 60 days	1,122	–
Over 90 days	–	9,014
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	5,450,720	2,989,794
Other payables	12,782,499	11,135,571
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	18,233,219	14,125,365
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15. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each		Nominal value	
	31.12.2002	30.6.2002	31.12.2002 HK\$	30.6.2002 HK\$
Authorised:				
At beginning and end of the period/year	3,000,000,000	3,000,000,000	3,000,000,000	3,000,000,000
Issued and fully paid:				
At beginning of the period/ year	803,054,199	789,139,626	803,054,199	789,139,626
Shares issued pursuant to scrip dividend schemes for final dividend in respect of the year ended 30th June, 2002 and 2001 respectively	5,368,586	8,115,621	5,368,586	8,115,621
Shares issued pursuant to scrip dividend scheme for interim dividend in respect of the year ended 30th June, 2002	—	5,798,952	—	5,798,952
At end of the period/year	808,422,785	803,054,199	808,422,785	803,054,199

On 17th December, 2002, pursuant to a scrip dividend scheme, the Company issued and allotted a total of 5,368,586 shares of HK\$1 each in the Company at HK\$1.33 each to the shareholders who elected to receive shares in the Company in lieu of cash for the final dividend in respect of the year ended 30th June, 2002. These shares rank pari passu in all respects with the existing shares.

16. CONTINGENCIES AND COMMITMENTS

	31.12.2002 HK\$	30.6.2002 HK\$
Guarantee given to bankers, in respect of loan facilities utilised by an associate	130,000,000	138,750,000