

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 31st December, 2004

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 Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public 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, 2004.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into four operating divisions - hotel operations, club operations, investment holding 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
Club operations	– operate a club
Investment holding	– investment in listed securities
Hotel management services	– provide hotel management services

Segment information about these businesses is presented below.

Six months ended 31st December, 2004

	Hotel operations HK\$	Club operations HK\$	Investment holding HK\$	Hotel management services HK\$	Consolidated HK\$
TURNOVER	<u>75,379,037</u>	<u>3,532,384</u>	<u>1,505,985</u>	<u>989,260</u>	<u>81,406,666</u>
RESULT					
Segment result	25,386,584	738,658	1,501,475	989,260	28,615,977
Unallocated corporate expenses					<u>(4,663,608)</u>
Profit from operations					<u>23,952,369</u>

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For the six months ended 31st December, 2004

3. SEGMENT INFORMATION (Continued)

Six months ended 31st December, 2003

	Hotel operations HK\$	Club operations HK\$	Investment holding HK\$	Hotel management services HK\$	Consolidated HK\$
TURNOVER	59,103,484	3,340,147	-	1,017,860	63,461,491
RESULT					
Segment result	17,982,615	937,789	-	1,017,860	19,938,264
Unallocated corporate expenses					(1,817,355)
Profit from operations					18,120,909

4. PROFIT FROM OPERATIONS

	Six months ended 31st December, 2004 HK\$	31st December, 2003 HK\$
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Profit from operations has been arrived at after charging:

Cost of hotel inventories	4,488,726	3,665,048
Depreciation of property, plant and equipment	1,766,242	1,463,456

5. FINANCE INCOME

	Six months ended 31st December, 2004 HK\$	31st December, 2003 HK\$
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Interest income on:

Advance to an associate	179,155	178,916
Bank deposits	18,247	19,238
	197,402	198,154

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6. FINANCE COSTS

	Six months ended	
	31st December, 2004 HK\$	31st December, 2003 HK\$
Interest expenses on:		
Bank borrowings wholly repayable within five years	4,430,782	4,122,071
Advance from an associate	1,694,726	2,677,226
Other unsecured loans	4,356,706	6,453,253
	<u>10,482,214</u>	<u>13,252,550</u>
Financing charges	1,428,568	757,066
	<u>11,910,782</u>	<u>14,009,616</u>

7. RESULTS ATTRIBUTABLE TO ASSOCIATES

Results attributable to associates include amortisation of goodwill arising on the acquisition of an associate of HK\$6,257,550 (six months ended 31st December, 2003: HK\$6,257,550).

8. INCOME TAX EXPENSE

	Six months ended	
	31st December, 2004 HK\$	31st December, 2003 HK\$
The Company and subsidiaries:		
Hong Kong Profits Tax		
Current period	3,517,268	2,441,810
Underprovision in prior periods	1,291	37,699
	<u>3,518,559</u>	<u>2,479,509</u>
Deferred tax	(862,118)	(559,771)
	<u>2,656,441</u>	<u>1,919,738</u>
Share of taxation attributable to associates:		
Hong Kong Profits Tax	9,425,018	7,871,250
Deferred tax	924,631	908,902
	<u>10,349,649</u>	<u>8,780,152</u>
	<u>13,006,090</u>	<u>10,699,890</u>

Hong Kong Profits Tax is calculated at 17.5% (six months ended 31st December, 2003: 17.5%) of the estimated assessable profit for the period.

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9. DIVIDEND

	Six months ended	
	31st December, 2004	31st December, 2003
	HK\$	HK\$
Final dividend for the year ended 30th June, 2004:		
HK3 cents (year ended 30th June, 2003:		
HK1 cent) per share	<u>24,710,965</u>	<u>8,161,169</u>

The Directors determined that an interim dividend for the six months ended 31st December, 2004 of HK2 cents (six months ended 31st December, 2003: HK1.5 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 19th April, 2005.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the period of HK\$48,273,313 (six months ended 31st December, 2003: HK\$36,997,031) and on the weighted average number of 824,065,040 (six months ended 31st December, 2003: 816,417,096) shares in issue during the period.

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31st December, 2004, the Group spent approximately HK\$2,861,000 (six months ended 31st December, 2003: HK\$996,000) on property, plant and equipment.

12. INTERESTS IN ASSOCIATES

	31st December, 2004	30th June, 2004
	HK\$	HK\$
Share of net assets	<u>1,240,629,752</u>	<u>1,195,681,437</u>
Goodwill	<u>192,770,954</u>	<u>199,028,504</u>
	<u>1,433,400,706</u>	<u>1,394,709,941</u>

The Inland Revenue Department (the "IRD") initiated tax inquiries for the years of assessment 1994/95 to 2002/03 on a wholly-owned subsidiary, Bestown Property Limited ("Bestown"), of one of the Group's associates, Asian Glory Limited ("AGL"). Notices of assessment for additional tax in an aggregate amount of approximately HK\$133,062,000 were issued to Bestown for the years under review and objections were lodged with the IRD by Bestown. The effective share of the additional tax attributable to the Group as at 31st December, 2004 is estimated to be approximately HK\$33,265,000. In view of the tax inquiries are still at the stage of collation of evidence, the management of Bestown are of the opinion that the ultimate outcome of the tax inquiries cannot presently be determined 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.

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For the six months ended 31st December, 2004

12. INTERESTS IN ASSOCIATES (Continued)

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.

13. TRADE AND OTHER RECEIVABLES

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

	31st December, 2004 HK\$	30th June, 2004 HK\$
Trade receivables		
0-30 days	5,186,884	3,239,800
31-60 days	1,197,902	538,515
61-90 days	213,428	398,612
Over 90 days	80	80
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	6,598,294	4,177,007
Other receivables	2,806,057	2,053,374
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	9,404,351	6,230,381
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14. TRADE AND OTHER PAYABLES

An aged analysis of trade payables is as follows:

	31st December, 2004 HK\$	30th June, 2004 HK\$
Trade payables		
0-30 days	6,295,611	2,486,464
31-60 days	510,878	302,534
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	6,806,489	2,788,998
Other payables	13,917,769	5,789,885
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	20,724,258	8,578,883
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15. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group had commitments and contingent liabilities as follows:

	31st December, 2004 HK\$	30th June, 2004 HK\$
(a) Commitments in respect of hotel renovation contracted but not provided for	<u>6,748,000</u>	<u>–</u>
(b) Guarantees given to banks, in respect of loan facilities utilised by an associate	<u>223,000,000</u>	<u>234,500,000</u>

16. PLEDGE OF ASSETS

- (a) The Group has pledged its hotel properties having a net book value of HK\$1,950,110,500 (*30th June, 2004: HK\$1,950,110,500*), listed securities at market value of HK\$348,886,512 (*30th June, 2004: HK\$237,192,628*) and pledged by way of floating charges in other assets of HK\$32,897,867 (*30th June, 2004: HK\$47,864,399*) to banks to secure long-term loan facilities granted to the Group;
- (b) The Group has pledged its time deposit of HK\$1,374,149 (*30th June, 2004: HK\$1,371,931*) to secure a letter of guarantee issuance facilities; and
- (c) The investments in certain subsidiaries of the Company have been pledged to banks or financial institutions to secure loan facilities granted to the Group.