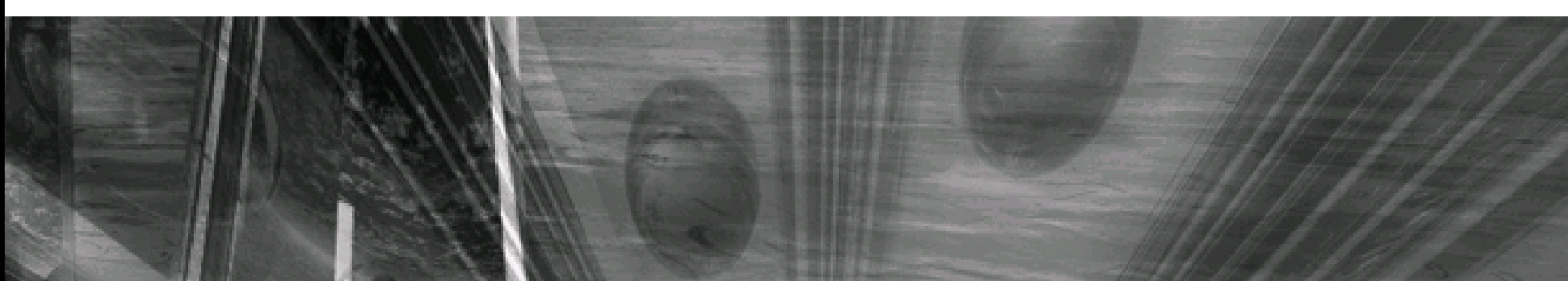


HALF YEAR RESULTS

Condensed Consolidated Profit and Loss Account

		Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited and restated)
	Notes	HK\$'million	HK\$'million
TURNOVER	3 & 4	543.5	532.5
Cost of sales	3	(448.6)	(446.6)
Gross profit		94.9	85.9
Other revenue	5	18.5	24.8
Gain on disposal of an overseas associate		–	67.5
Administrative expenses		(35.9)	(35.6)
Other operating expenses	6	(48.5)	(21.0)
PROFIT FROM OPERATING ACTIVITIES	4	29.0	121.6
Finance costs	7	(169.9)	(183.4)
Share of profits less losses of:			
Jointly controlled entity		(26.0)	(30.5)
Associates		(1.7)	(0.4)
LOSS BEFORE TAX		(168.6)	(92.7)
Tax	8	(0.2)	(7.5)
LOSS BEFORE MINORITY INTERESTS		(168.8)	(100.2)
Minority interests		0.9	1.0
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(167.9)	(99.2)
Loss per ordinary share (HK\$):	9		
Basic		(0.043)	(0.025)
Diluted		N/A	N/A

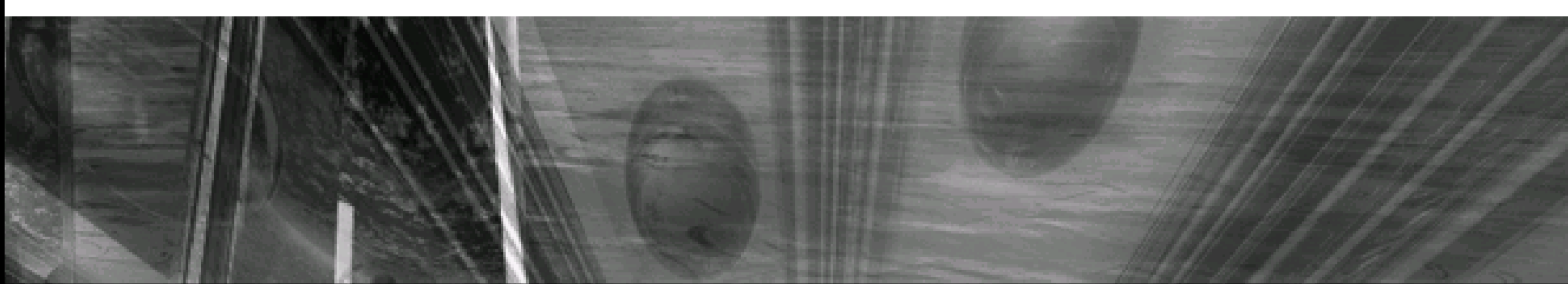


Condensed Consolidated Statement of Recognised Gains and Losses

		Six months ended 30th June, 2001 (Unaudited)	Six months ended 30th June, 2000 (Unaudited)
	Note	HK\$'million	HK\$'million
Surplus/(Deficit) on revaluation of long term equity investments		(5.3)	8.0
Exchange difference on translation of the financial statements of foreign entities		(0.2)	(4.4)
Net gains/(losses) not recognised in the profit and loss account		(5.5)	3.6
Net loss from ordinary activities attributable to shareholders		(167.9)	(99.2)
Total recognised gains and losses		(173.4)	(95.6)
Share of goodwill of an associate eliminated directly against reserves		—	(12.8)
		(173.4)	(108.4)
<i>Note on prior year adjustment:</i>			
Total recognised gains and losses related to the current period as above		(173.4)	
Prior year adjustment	1(f)		
- given effect as to restatement of the profit and loss account for the year ended 31st December, 2000		(120.4)	
Total recognised gains and losses since the last annual report		(293.8)	

Condensed Consolidated Balance Sheet

		30th June, 2001 (Unaudited)	31st December, 2000 (Audited and restated)
	Notes	HK\$'million	HK\$'million
NON-CURRENT ASSETS			
Fixed assets		10,142.4	10,115.4
Interest in a jointly controlled entity		483.2	477.2
Interests in associates		17.7	10.1
Long term investments		120.6	141.9
Loans and other long term receivables		276.8	276.8
Deferred expenditure		26.5	30.0
Deposit for acquisition of interest in a hotel property		5.6	2.5
		<u>11,072.8</u>	<u>11,053.9</u>
CURRENT ASSETS			
Short term investments		6.8	8.8
Hotel and other inventories		37.4	33.9
Debtors, deposits and prepayments	11	570.1	608.4
Time deposits		34.3	198.0
Cash and bank balances		27.6	29.7
		<u>676.2</u>	<u>878.8</u>
CURRENT LIABILITIES			
Creditors and accruals	12	291.1	324.5
Tax payable		9.8	9.6
Interest bearing bank and other borrowings		362.3	362.6
		<u>663.2</u>	<u>696.7</u>
NET CURRENT ASSETS		<u>13.0</u>	<u>182.1</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,085.8	11,236.0
NON-CURRENT LIABILITIES			
Interest bearing bank and other borrowings		(4,743.4)	(4,748.3)
Minority interests		0.2	(0.9)
		<u>6,342.6</u>	<u>6,486.8</u>
CAPITAL AND RESERVES			
Issued capital		395.1	395.1
Reserves	13	5,947.5	6,091.7
		<u>6,342.6</u>	<u>6,486.8</u>



Condensed Consolidated Cash Flow Statement

Six months ended
30th June, 2001
(Unaudited)

	HK\$'million
Net cash inflow from operating activities	39.8
Returns on investments and servicing of finance	(116.7)
Taxation	—
Investing activities	(85.5)
Net cash outflow before financing	(162.4)
Financing	(3.4)
Decrease in cash and cash equivalents	(165.8)
Cash and cash equivalents at beginning of period	227.7
Effect of foreign exchange rate changes, net	—
Cash and cash equivalents at end of period	61.9
Analysis of balances of cash and cash equivalents	
Cash and bank balances	27.6
Time deposits with original maturity of less than three months when acquired	34.3
	61.9

Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

These unaudited interim condensed consolidated financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except that the comparative cash flow statement for the six months ended 30th June, 2000 has not been prepared as permitted under the transitional provisions set out in the Listing Rules.

The accounting policies and basis of presentation used in the preparation of these interim financial statements are the same as those used in the Group’s audited financial statements for the year ended 31st December, 2000, except the following new/revised SSAPs have been adopted for the first time in the preparation of the current period’s condensed consolidated financial statements:

• SSAP 9 (revised)	Events after the balance sheet date
• SSAP 14 (revised)	Leases
• SSAP 28	Provisions, Contingent Liabilities and Contingent Assets
• SSAP 29	Intangible Assets
• SSAP 30	Business Combinations
• SSAP 31	Impairment of Assets
• SSAP 32	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

A summary of their major effects is as follows:

- (a) SSAP 9 (revised) prescribes the accounting treatment and disclosures for events occurring after the balance sheet date. This has had no major impact on these financial statements.
- (b) SSAP 14 (revised) prescribes the accounting treatment and disclosures for leases and hire purchase contracts. This SSAP has been applied prospectively. This has had no major impact on these financial statements; however, the disclosures for commitments under non-cancellable operating leases have been changed. In prior years, operating lease commitments were disclosed as payments committed to be made during the next year, analysed between those in which the commitment would expire within that year; in the second to fifth years, inclusive; and over five years. In the current period, the disclosure has been changed to the total of the future minimum lease payments under non-cancellable operating leases analysed into those not later than one year; later than one year and not later than five years; and later than five years. Disclosures as required are set out in note 17 to these financial statements.
- (c) SSAP 28 prescribes the accounting treatment and disclosures for provisions, contingent liabilities and contingent assets. This has had no major impact on these financial statements.
- (d) SSAP 29 prescribes the accounting treatment and disclosures of intangible assets. This has had no major impact on these financial statements.
- (e) SSAP 30 prescribes the accounting treatment and disclosures for business combinations.

In prior years, goodwill/negative goodwill arising on consolidation of subsidiary companies and on acquisition of associates, representing the excess/shortfall of the cost of investments in subsidiary companies and associates over the appropriate share of the fair value of the net tangible assets at the date of acquisition, was taken to reserves in the year in which it arose. On disposal of a subsidiary company or an associate, the attributable amount of goodwill/negative goodwill is included in calculating the profit or loss on disposal.

With effect from 1st January, 2001, with the introduction of SSAP 30 “Business Combinations”, 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. Negative goodwill which relates to an expectation of future losses and expenses that is identified in the plan of acquisition and can be measured reliably, but which has not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account. On disposal of a consolidated controlled enterprise, any attributable amount of purchased goodwill not previously amortised through the profit and loss account 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 the goodwill/negative goodwill that arose from acquisitions prior to 1st January, 2001, which has been previously eliminated against/taken to reserves, has not been retrospectively restated under the new accounting policy. Therefore, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the profit and loss account at the time of disposal of the subsidiary companies/associates, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be credited to the profit and loss account at the time of disposal of the relevant subsidiary companies/associates.

- (f) SSAP 31 requires enterprises to consider whether assets are carried in excess of their recoverable amounts and prescribes the accounting treatment for any resulting impairment losses. This also applies to goodwill eliminated against reserves in accordance with the provisions of Interpretation 13 issued by the HKSA. As the Group had not previously followed a policy of recognising impairment losses in respect of goodwill written off against reserves, implementation of SSAP 31 is treated as a change in accounting policy in accordance with SSAP 2 and is applied retrospectively in accordance with the transitional provisions of SSAP 30 and the comparatives presented have been restated to conform to the change of accounting policy.

The Group has performed an assessment of the fair value of its assets, including the related goodwill that had previously been charged to reserves. As a result, the goodwill arising from the acquisitions of two subsidiary companies in 1998 was determined to have been impaired as at 31st December, 2000. The effect of this change in the accounting policy is to increase the accumulated losses and the capital reserve as at 1st January, 2001 by HK\$120.4 million. There is no attributable tax effect in respect of the prior year adjustments.

- (g) SSAP 32 prescribes the accounting treatment and disclosures in the preparation and presentation of consolidated financial statements. This has had no major impact on these financial statements.

2. Corporate Update and Basis of Presentation

As more fully explained in the audited consolidated financial statements for the year ended 31st December, 2000, certain of the Group’s loan covenants for the maintenance of financial ratios under certain loan agreements have not been complied with. The total outstanding loans (the “Loans”) affected in this manner amounted to HK\$4,901.6 million as at 30th June, 2001.

The Group continues to hold discussions with the lenders of the Loans with a view to securing their on-going support and their agreement to not exercising their rights to declare the Loans immediately due and repayable. Despite the non-compliance with the loan covenants as described above, to date, no notice (the “Declaration Notice”) has been served to the Group to declare the Loans immediately due and repayable.

In order to improve its cash flow and financial position, the Group is actively working on the contemplated disposal of certain of its non-core assets (the “Disposal”). Furthermore, the Group is also considering alternative financing arrangements including, but not limited to, (i) negotiating with certain potential lenders with respect to a refinancing arrangement for certain of the Loans; and (ii) obtaining additional working capital funds through equity issues (collectively, the “Financing Arrangements”).