

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31st December, 2004

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Statement of Standard Accounting Practice (“SSAP”) No. 25 “interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted are consistent with those adopted in the annual financial statements of the Group for the year ended 30th June, 2004. In the prior period, prior period adjustment was made as a result of the Group’s adoption of the revised SSAP 12 “Income Taxes” to account for its deferred tax.

These condensed consolidated financial statements of the Group for the six months ended 31st December, 2004 are unaudited and have been reviewed by the Audit Committee of the Company.

## 2. SEGMENTAL INFORMATION

### Business segments

For management purposes, the Group is currently organised into three operating divisions — property sales, property rental and port operations. These principal operating activities are the basis on which the Group reports its primary segmental information.

Principal activities are as follows:

Property sales	—	sales of properties developed by the Group
Property rental	—	leasing of investment properties
Port operations	—	operations of the port

# Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31st December, 2004

## 2. SEGMENTAL INFORMATION (Continued)

### Business segments (Continued)

Segmental information about these businesses is presented below:

	Property sales		Property rental		Port operations		Consolidated	
	Unaudited							
	Six months ended 31st December,							
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>TURNOVER</b>								
External sales	59,308	176,034	14,733	13,375	8,835	7,775	82,876	197,184
<b>SEGMENT RESULT</b>	3,932	12,932	13,461	12,258	2,740	1,241	20,133	26,431
Unallocated other operating income							—	1,037
Unallocated corporate expenses							(5,258)	(5,418)
Profit from operations							14,875	22,050
Finance costs							(71)	(573)
Profit before taxation							14,804	21,477
Taxation							(1,708)	(1,931)
Profit for the period							13,096	19,546
Minority interests							(1,018)	(1,144)
Net profit for the period							12,078	18,402

Notes to the Condensed Consolidated Financial Statements *(Continued)*

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**2. SEGMENTAL INFORMATION** *(Continued)***Geographical segments**

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market		Profit from operations	
	Unaudited			
	Six months ended 31st December,			
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	14,733	13,375	13,461	12,258
Other regions in the People's Republic of China ("PRC")	68,143	183,809	6,672	14,173
	<b>82,876</b>	197,184	<b>20,133</b>	26,431
Unallocated other operating income			—	1,037
Unallocated corporate expenses			(5,258)	(5,418)
Profit from operations			<b>14,875</b>	22,050

**3. OTHER OPERATING INCOME**

	Unaudited Six months ended 31st December,	
	2004 HK\$'000	2003 HK\$'000
Bank interest income	1,041	376
Bad debt recovered	—	1,027
Sundry income	1,227	254
	<b>2,268</b>	1,657

Notes to the Condensed Consolidated Financial Statements *(Continued)*

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**4. DEPRECIATION AND AMORTIZATION**

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Profit from operations has been arrived at after charging:		
Amortization of goodwill (included in administrative expenses)	—	571
Depreciation	<b>805</b>	749
Less: Amount capitalised and included in properties under development	<b>(210)</b>	(251)
	<b>595</b>	498

**5. FINANCE COSTS**

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Interest on bank borrowings wholly repayable within five years	<b>1,199</b>	2,599
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4.7% (2003: 4.0%) to expenditure on qualifying assets	<b>(1,128)</b>	(2,026)
Interest on loan from a related company wholly repayable within five years	<b>2,076</b>	—
Less: Amount capitalised and included in properties held for development by applying a capitalisation rate of 3.9% (2003: Nil) to expenditure on qualifying assets	<b>(2,076)</b>	—
	<b>71</b>	573

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2004

**6. TAXATION**

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
The tax charge comprises:		
Hong Kong Profits Tax		
Overprovision in prior years	(4)	—
PRC Income Tax		
Current period	2,363	3,838
Overprovision in prior years	(1,997)	(3,237)
Deferred Tax		
Current period	1,346	1,330
	<b>1,708</b>	<b>1,931</b>

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for 2004 and 2003.

PRC Foreign Enterprise Income Tax is calculated at the rates prevailing in the PRC.

Deferred tax has been provided on temporary differences using the current applicable rate.

**7. DIVIDEND**

On 14th January, 2005, a final dividend of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final dividend for the year ended 30th June, 2004.

The Directors have declared an interim dividend of 2 Hong Kong cents (2003: 2 Hong Kong cents) per share for the six months ended 31st December, 2004 to all shareholders whose names appear on the register of members of the Company on 22nd April, 2005.

**8. BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share is based on net profit of HK\$12,078,000 (2003: HK\$18,402,000) for the period and on 219,103,681 (2003: 219,103,681) ordinary shares in issue throughout the period.

No diluted earnings per share is shown as there is no dilutive effect on the earnings per share.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31st December, 2004

### 9. TRADE AND OTHER RECEIVABLES

At 31st December, 2004, the balance of trade and other receivables included trade receivables of HK\$1,776,000 (30th June, 2004: HK\$4,110,000). For property sales, other than home loans the Group allows an average credit period of 30 days to its customers. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The aged analysis of trade receivables is as follows:

	<b>Unaudited At 31st December, 2004 HK\$'000</b>	Audited At 30th June, 2004 HK\$'000
0 – 60 days	658	3,020
61 – 90 days	17	18
Over 90 days	1,101	1,072
	<b>1,776</b>	<b>4,110</b>

### 10. TRADE AND OTHER PAYABLES

At 31st December, 2004, the balance of trade and other payables included trade payables of HK\$29,443,000 (30th June, 2004: HK\$32,972,000). The aged analysis of trade payables is as follows:

	<b>Unaudited At 31st December, 2004 HK\$'000</b>	Audited At 30th June, 2004 HK\$'000
0 – 60 days	11,840	17,733
61 – 90 days	5,512	—
Over 90 days	12,091	15,239
	<b>29,443</b>	<b>32,972</b>

Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2004

**11. BANK LOANS**

	<b>Unaudited At 31st December, 2004 HK\$'000</b>	<b>Audited At 30th June, 2004 HK\$'000</b>
The bank loans are repayable as follows:		
Within one year or on demand	27,936	24,937
More than one year, but not exceeding two years	129,918	140,636
	<b>157,854</b>	165,573
Less: Amount repayable within one year shown under current liabilities	(27,936)	(24,937)
	<b>129,918</b>	140,636
Secured	<b>150,400</b>	158,300
Unsecured	<b>7,454</b>	7,273
	<b>157,854</b>	165,573

The loans bear average interest rate of about 1.0% (30th June, 2004: 1.0%) over Hong Kong Interbank Offered Rate per annum and are repayable either in instalments or in one lump sum within two years.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31st December, 2004

### 12. SHARE CAPITAL

	Number of shares		Amount	
	Unaudited At 31st December, 2004	Audited At 30th June, 2004	Unaudited At 31st December, 2004 <i>HK\$'000</i>	Audited At 30th June, 2004 <i>HK\$'000</i>
Ordinary shares of HK\$1.00 each Authorised	<b>300,000,000</b>	300,000,000	<b>300,000</b>	300,000
Issued	<b>219,103,681</b>	219,103,681	<b>219,104</b>	219,104

### 13. SHARE OPTION SCHEME

The Company adopted a share option scheme on 21st December, 2001 (the "Share Option Scheme").

The Share Option Scheme was adopted for the purpose of providing incentives to Directors, employees and eligible participants and will expire on 20th December, 2011. Under the Share Option Scheme, the board of Directors of the Company may grant options to Executive Directors, employees of the Company and its subsidiaries and such eligible participants at the discretion of the board of Directors of the Company pursuant to the terms of the Share Option Scheme, to subscribe for shares of the Company at a price per share not less than the highest of i) the closing price of a share of the Company listed on the Stock Exchange at the date of grant of the option; ii) the average of the closing price of a share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and iii) the nominal value of a share of the Company.

No share option was granted to or exercised by any of the Company's and its subsidiaries' Directors, employees and such eligible participants under the Share Option Scheme since its adoption, and there were no share options outstanding as at 31st December, 2004 and 31st December, 2003.



Notes to the Condensed Consolidated Financial Statements *(Continued)*

For the six months ended 31st December, 2004

**14. CONTINGENT LIABILITIES**

	<b>The Company</b>	
	<b>Unaudited At 31st December, 2004 HK\$'000</b>	<b>Audited At 30th June, 2004 HK\$'000</b>
Guarantees given to financial institutions in respect of banking facilities granted to subsidiaries	<b>172,854</b>	175,073

The extent of such facilities utilised and unutilised by the subsidiaries at 31st December, 2004 amounted to approximately HK\$157,854,000 (30th June, 2004: HK\$165,573,000) and HK\$15,000,000 (30th June, 2004: HK\$9,500,000).

In addition, the Group and the Company have given guarantees in respect of the settlement of mortgage loans provided by banks to the home buyers of a property project in the PRC. At 31st December, 2004, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$708,299,000 (30th June, 2004: HK\$704,060,000) and HK\$38,873,000 (30th June, 2004: HK\$39,000,000), respectively.

A subsidiary has been named as a defendant in a High Court action in respect of an alleged breach of contractual undertakings. The plaintiff is claiming for an amount of HK\$14,879,000. The subsidiary and its legal counsel are strongly resisting this claim and a counterclaim has been lodged against the plaintiff for, inter alia, damages in an amount of about HK\$49,309,000 (subject to the Court's assessment). In the opinion of the Directors, the outcome of this case would not have a material adverse impact on the financial position of the Group, accordingly, no provision for any potential liability has been made in the financial statements.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 31st December, 2004

### 15. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions with related companies:

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2004 HK\$'000</b>	2003 HK\$'000
Rental income received <i>(Note a)</i>	82	74
Rental and management fees paid <i>(Note a)</i>	693	693
Consultancy service fees paid <i>(Note a)</i>	500	—
Finance costs and charge paid <i>(Note a)</i>	2,121	—

The outstanding balances with these related companies and minority shareholders at 31st December, 2004 were as follows:

	<b>Unaudited At 31st December, 2004 HK\$'000</b>	Audited At 30th June, 2004 HK\$'000
Amounts due from related companies included in trade and other receivables <i>(Note b)</i>	3,045	1,951
Amounts due from minority shareholders <i>(Note b)</i>	4,973	4,922
Amounts due to related companies included in trade and other payables <i>(Note b)</i>	547	652

*Notes:*

- a. *The transactions were carried out based on the contractual agreements made between both parties and were at market price.*
- b. *The amounts are unsecured, interest free and repayable on demand.*

The related companies are companies in which certain Directors have common directorship.