

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2001

1. BASIS OF PREPARATION

The Interim Financial Report has been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the Interim Financial Report relating to accounting period ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies, methods of computation and basis of preparation used in the preparation of these Interim Financial Statements are consistent with those used in the Group’s Annual Financial Statements for the year ended 31 December 2000. Certain comparative figures of the condensed consolidated income statement have been reclassified to conform with the current period’s presentation.

2. TURNOVER AND REVENUE

The principal activities of the Group are property development, investment, trading and management in Hong Kong.

Turnover and other revenue recognised by category are as follows:

	Six months ended 30 June	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Proceeds from sale of properties		
held for sale	9,534	135,600
Rental income	31,294	35,668
Building management service income	1,845	1,723
Interest income	<u>1,249</u>	<u>10,351</u>
Turnover	43,922	183,342
Property repair and maintenance services		
income	1,885	1,558
Income from signage rental	5,888	3,923
Office facilities and service income	<u>237</u>	<u>225</u>
Other revenue	<u>8,010</u>	<u>5,706</u>
	<u><u>51,932</u></u>	<u><u>189,048</u></u>

The analysis of the principal activities and the operating results of the Group for the period are set out as follows:

	Group turnover		Contribution to operating results (before operating and interest expenses)	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of properties	9,534	135,600	(91)	(3,351)
Rental income	31,294	35,668	31,294	35,668
Building management				
service income	1,845	1,723	1,845	1,723
Interest income	1,249	10,351	1,249	10,351
	<u>43,922</u>	<u>183,342</u>	<u>34,297</u>	<u>44,391</u>

All the Group's turnover and operating results were derived in Hong Kong.

3. OTHER NET INCOME

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Miscellaneous income	1,263	3,180
Net profit on disposal of subsidiaries and associates	—	13,925
	<u>1,263</u>	<u>17,105</u>

4. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Amortisation of goodwill	7,461	5,843
Provision for doubtful debts	—	3,036
Debt restructuring expenses	<u>1,066</u>	<u>1,325</u>
	<u><u>8,527</u></u>	<u><u>10,204</u></u>

5. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
	<i>Note</i>	
(a) Finance costs:		
Interest on bank loans and overdrafts wholly repayable within five years	81,288	65,846
Interest on other borrowings wholly repayable within five years	<u>19,163</u>	<u>15,958</u>
Total borrowing costs	100,451	81,804
Less: Amount capitalised into properties under development	9 <u>(27,047)</u>	<u>(26,566)</u>
	<u><u>73,404</u></u>	<u><u>55,238</u></u>

Six months ended 30 June

	2001	2000
<i>Note</i>	HK\$'000	HK\$'000

(b) Other items:

Cost of properties sold	9,625	138,951
Depreciation	1,221	1,023
Loss on disposal of properties	91	3,351
Amortisation of goodwill	7,461	5,843

6. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred losses for taxation purposes for the period. (2000: Nil)

7. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend in respect of the period. (2000: Nil)

8. LOSS PER SHARE

The calculation of basic loss per share is based on current period's loss of HK\$53,730,000 (2000: loss of HK\$14,271,000) and on the weighted average number of 3,116,402,151 shares (2000: 2,408,547,478 shares) in issue during the period.

No diluted loss per share has been presented for the two periods ended 30 June 2001 because the conversion/exercise of the outstanding potential ordinary shares would have been anti-dilutive for the two periods.

9. PROPERTIES UNDER DEVELOPMENT

		30 June	31 December
		2001	2000
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the period/year		948,594	771,097
Additions		51,867	126,919
Interest capitalized	5	<u>27,047</u>	<u>50,578</u>
At balance sheet date		<u><u>1,027,508</u></u>	<u><u>948,594</u></u>

The properties under development are situated in Hong Kong and held under long leases.

10. AGEING ANALYSIS OF THE TRADE RECEIVABLES

The Group maintains a controlled credit policy. The ageing analysis of the trade receivables as at the balance sheet date is as follows:

	30 June	31 December
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	746	1,104
31–90 days	976	516
After 90 days but within one year	<u>761</u>	<u>289</u>
	<u><u>2,483</u></u>	<u><u>1,909</u></u>

11. AGEING ANALYSIS OF THE TRADE PAYABLES

All the trade payables of HK\$4,912,000 (2000: HK\$16,232,000) were within 30 days at the balance sheet date.

12. INTEREST-BEARING BORROWINGS

	30 June 2001	31 December 2000
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Wholly repayable within five years:		
Bank loans — secured	1,874,588	1,804,992
Bank overdrafts — secured	31,984	11,316
Other loans	84,555	75,611
Amount due to ultimate holding company	16 <u>227,900</u>	<u>217,470</u>
	2,219,027	2,109,389
Portion classified as current liabilities	<u>(116,539)</u>	<u>(132,716)</u>
Long-term portion	<u>2,102,488</u>	<u>1,976,673</u>

On 8 May 2000, the Group and the Group's Banks entered into an agreement ("the Debt Restructure Agreement") to restructure payments of outstanding bank loans and related interest payable for a standstill until 31 January 2002. The Group is now negotiating with individual bank for the future arrangement of bank loans. The management consider that a refinancing arrangement would be obtained before 31 January 2002, the bank loans and amount due to ultimate holding company are classified as long term liabilities in this report.

At 30 June 2001, interest bearing borrowings were repayable as follows:

	30 June 2001	31 December 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year or on demand	116,539	132,716
After 1 year but within 2 years	1,999,236	1,859,220
After 2 years but within 5 years	<u>103,252</u>	<u>117,453</u>
	2,102,488	1,976,673
	<u>2,219,027</u>	<u>2,109,389</u>

13. SHARE CAPITAL

	30 June 2001		31 December 2000	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
<i>Authorized:</i>				
Ordinary share of HK\$0.1 each	<u>5,000,000,000</u>	<u>500,000</u>	<u>5,000,000,000</u>	<u>500,000</u>
			Number of shares of HK\$0.1 each	Nominal value <i>HK\$'000</i>
<i>Issued and fully paid:</i>				
At 1 January 2001 and at 30 June 2001			<u>3,116,402,151</u>	<u>311,640</u>

14. RESERVES

	Share Premium <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Special Reserve <i>(note)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	1,061,337	663,990	(1,076,737)	10,030	658,620
Loss for the period	—	—	(53,730)	—	(53,730)
At 30 June 2001	<u>1,061,337</u>	<u>663,990</u>	<u>(1,130,467)</u>	<u>10,030</u>	<u>604,890</u>

Note: The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital of the subsidiary companies pursuant to the Group's re-organisation in 1997.

15. ANALYSIS OF CASH AND CASH EQUIVALENTS

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Bank balances and cash	40,069	29,004
Bank overdrafts — secured	<u>(31,984)</u>	<u>(11,316)</u>
	<u><u>8,085</u></u>	<u><u>17,688</u></u>

16. RELATED PARTY TRANSACTIONS

On 21 November 2000, Ko Bee Limited, which was beneficially wholly owned by substantial shareholder, Madam Foo Kam Chu, Grace (“Mrs. Chan”), advanced to the Company an unsecured term loan of approximately HK\$214,756,000 at the interest rate of 1.75% over the prime lending rate for loans in Hong Kong dollars quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time per annum for enabling the Company to substitute the outstanding principal and interests payable by the Company to Mrs. Chan pursuant to the Convertible Bonds dated 25 March 1998 issued by the Company in favour of Mrs. Chan. This unsecured interest bearing term loan shall be repaid by the Company not later than 31 January 2002. As at 30 June 2001, the outstanding amount is approximately HK\$227,000,000 including the interest payable of approximately HK\$12,244,000 during the period.

17. CAPITAL COMMITMENTS

At the balance sheet date, the Group had outstanding capital commitments, so far as not provided for in the Group's financial statements as follows:

	30 June	31 December
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development and renovation expenditure:		
— contracted for	31,015	59,064
— authorized but not contracted for	10,235	31,515
	<u>41,250</u>	<u>90,579</u>

18. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2001, the Group sold the vacant site at Nos. 27, 29, 31, 33, 35, 37, 39, 41, 43, 45 Sharp Street East and Nos. 11, 13, Yiu Wa Street, Causeway Bay, Hong Kong at the consideration of HK\$275,000,000. The net proceeds of the sale have been applied to repay the bank borrowings of the Group after the completion of the sale in August 2001.

On 27 August 2001, the Group entered into an agreement for sales of property of 6th to 29th Floors (except 14th, 24th and 25th Floors) of the building known as No. 8 Russell Street at the consideration of approximately HK\$290,000,000. The net proceeds of the sale will be applied to repay the bank borrowings of the Group after the completion of the sale in October 2001.