

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(1) Accounting Policies

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 (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting".

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except as described below.

In the current period, the Group has 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 accounting policy:

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis.

(2) Basis of Preparation of Interim Financial Report

In preparing the interim financial report, the directors of the Company have given careful consideration to the going concern status of the Group in the context of the Group's current liquidity difficulties.

Events of default have arisen under certain bank loans and credit facility agreements entered into by the Group. As a result, the relevant bank borrowings have become repayable on demand and have been reclassified as current liabilities. Accordingly, the Group is currently dependent upon the continued support of its bankers.

Against this background, the directors of the Company are taking active steps to refinance the Group and are currently in discussion with the Group's bankers for the rescheduling of the Group's remaining borrowings. At the same time, the directors of the Company are seeking additional equity funds.

Provided that the Group's bankers continue to support the Group until such time as refinancing arrangements can be agreed and put in place, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the interim financial report has been prepared on a going concern basis.

(3) Segment Information

Business segments:

For the six months ended 30 September 2001

	Sale of properties	Rental	Building management and agency fee	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	36,000	9,492	2,324	-	47,816
Inter-segment revenue	-	835	-	(835)	-
Total revenue	<u>36,000</u>	<u>10,327</u>	<u>2,324</u>	<u>(835)</u>	<u>47,816</u>
Segment result	<u>(655)</u>	<u>8,110</u>	<u>514</u>	<u>(835)</u>	7,134
Unallocated other revenue					2,038
Unallocated corporate expenses					<u>(20,893)</u>
Loss from operations					<u>(11,721)</u>

For the six months ended 30 September 2000

	Sale of properties	Rental	Building management and agency fee	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	105,485	10,740	2,586	-	118,811
Inter-segment revenue	-	835	-	(835)	-
Total revenue	<u>105,485</u>	<u>11,575</u>	<u>2,586</u>	<u>(835)</u>	<u>118,811</u>
Segment result	<u>(40,142)</u>	<u>9,050</u>	<u>798</u>	<u>(835)</u>	(31,129)
Unallocated other revenue					1,885
Unallocated corporate expenses					<u>(18,106)</u>
Loss from operations					<u>(47,350)</u>

WAH TAK FUNG HOLDINGS LIMITED

The Group's turnover and contribution to loss from operations were entirely derived from activities carried out in Hong Kong.

(4) Depreciation

During the period, depreciation of approximately HK\$421,000 (six months ended 30.9.2000:HK\$780,000) was charged in respect of the Group's property, plant and equipment.

(5) Taxation

No provision for Hong Kong Profits Tax has been provided as the Group has no assessable profit for both periods.

(6) Loss per Share

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$39,957,000 (six months ended 30.9.2000: net loss of HK\$118,159,000) and on weighted average number of 1,769,146,338 (six months ended 30.9.2000: 1,244,670,293) shares in issue during the period.

Diluted loss per share has not been presented for the six months ended 30 September 2001 as the effect of the options granted would be anti-dilutive.

In addition, no disclosure of diluted loss per share for prior period has been made as the exercise price of the options during prior period was higher than the average market price of shares of the Company and the exercise of the Company's convertible debentures would be anti-dilutive.

(7) Property, Plant and Equipment

During the six months ended 30 September 2001, the Group spent approximately HK\$73,000 (six months ended 30.9.2000: HK\$198,000) on property, plant and equipment.

(8) Interests in Associates

	30 September 2001	31 March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	9	2,823
Premium arising from acquisition of an associate	23,441	23,441
	<hr/>	<hr/>
	23,450	26,264
Accumulated amortisation of premium	(23,441)	(23,441)
	<hr/>	<hr/>
	9	2,823
	<hr/>	<hr/>

(9) Trade and Other Receivables

The Group's policy does not allow credit period to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30 September 2001	31 March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	989	3,174
61 – 90 days	523	276
91 days or above	2,724	2,183
	<hr/>	<hr/>
Trade receivables	4,236	5,633
Other receivables	49,972	1,952
	<hr/>	<hr/>
	54,208	7,585
	<hr/>	<hr/>

(10) Trade and Other Payables

The following is an aged analysis of trade payables at the reporting date:

	30 September 2001	31 March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables with age of 91 days or above	11,088	11,501
Accrued bank loan interest	161,420	141,748
Other payables	8,025	7,541
	<hr/>	<hr/>
	180,533	160,790
	<hr/>	<hr/>

WAH TAK FUNG HOLDINGS LIMITED**(11) Share Capital**

The movements in the share capital of the Company for the six months ended 30 September 2001 are as follows:

	Number of shares <i>'000</i>	Value <i>HK\$'000</i>
Ordinary shares of HK\$0.1 each		
Authorised	<u>4,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At the beginning of the period	1,495,781	149,578
Share placement	460,000	46,000
Issued as a result of conversion into shares by debenture holders	38,996	3,900
Exercise of share options	<u>4,500</u>	<u>450</u>
At the end of the period	<u>1,999,277</u>	<u>199,928</u>

(12) Share Premium and Reserves

	Share premium account <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
At 1 April 2000	469,060	95,263	(564,307)	16
Issue of shares	31,938	-	-	31,938
Expenses on issue of shares	(3,650)	-	-	(3,650)
Release upon disposal of investment properties	-	(39,009)	-	(39,009)
Deficit arising from revaluation	-	(56,254)	-	(56,254)
Net loss for the year	<u>-</u>	<u>-</u>	<u>(323,320)</u>	<u>(323,320)</u>
At 31 March 2001	497,348	-	(887,627)	(390,279)
Issue of shares	33,316	-	-	33,316
Net loss for the period	<u>-</u>	<u>-</u>	<u>(39,957)</u>	<u>(39,957)</u>
At 30 September 2001	<u>530,664</u>	<u>-</u>	<u>(927,584)</u>	<u>(396,920)</u>

(13) Pledge of Assets

The general credit facilities of the Group are secured by the Group's investment properties and properties held for sale with an aggregate carrying value of approximately HK\$345,075,000 (31.3.2001: HK\$381,160,000).

(14) Related Party Transactions

During the period, the Group had the following transactions with related parties:

Name of related party	Nature of transactions	Six months ended	
		30.9.2001 HK\$'000	30.9.2000 HK\$'000
Cymbeline Limited	Rental expenses paid by the Group	48	48
Good Harvest Securities Company Limited	Rental income received by the Group	160	160
Thai Wa Trading Company	Rental income received by the Group	–	13
Mr. Chu Yu Lin, David	Rental income received by the Group	80	80

Mr. Chan King Hung has a beneficial interest in Cymbeline Limited.

Mrs. Chu Ho Miu Hing has a beneficial interest in Good Harvest Securities Company Limited.

Mr. Chan Fook Lai has a beneficial interest in Thai Wa Trading Company.

The above transactions were carried out with reference to the market price.

In addition, certain banking facilities of the Group are secured by personal guarantees given by Messrs. Chan King Hung and Chu Yu Lin, David and Mrs. Chu Ho Miu Hing, on which no charge was paid by the Group.

(15) Post Balance Sheet Event

On 20 July 2001, the Company entered into a conditional agreement to acquire 1.5% equity interest in Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite") at a consideration of US\$15 million from Mr. Chu Yu Lin, David who together with Mrs. Chu Ho Miu Hing held a total of 51% equity interest of Hong Kong Satellite. On the same date, the Company entered into a conditional subscription agreement to subscribe for 0.5% equity interest in Hong Kong Satellite for a total consideration of US\$5 million. Both transactions were completed on 30 October 2001.