

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

2. Accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for revaluation of certain properties and 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 31st 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 and revised accounting policies.

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 30th September, 2000 have been amended so that they are presented on a consistent basis.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see Note 3).

3. Prior period adjustment

The adoption of the revised accounting policy, resulted from the adoption of the revised SSAP 9 as described in note 2, has been applied retrospectively. It has given rise to an increase in retained profits at 1st April, 2000 and 2001 of HK\$18,783,000 and HK\$19,049,000 respectively, and the derecognition of dividends payable amounting to HK\$18,783,000 (year 2000 final dividend) and HK\$19,049,000 (year 2001 final dividend) at 31st March, 2000 and 31st March, 2001 respectively.

Comparative amounts have been restated in line with the revised accounting policy.

4. Segmental Information

Business segments

	Turnover		Segment results	
	Six months ended		Six months ended	
	30/9/2001 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000	30/9/2001 (unaudited) HK\$'000	30/9/2000 (unaudited) HK\$'000
<i>By principal activity:</i>				
Property investment and development	304,592	325,966	30,020	50,332
Loan interest income and commitment fee	1,974	9,053	(6,142)	(4,112)
Manufacturer of boiler products	16,386	32,219	(1,671)	(1,586)
Hotel operation	21,958	26,202	1,644	2,725
Securities trading	41,131	–	(8,955)	(10)
	<u>386,041</u>	<u>393,440</u>	<u>14,896</u>	<u>47,349</u>
Unallocated corporate expenses			<u>(1,496)</u>	<u>(1,723)</u>
Profit from operations			<u>13,400</u>	<u>45,626</u>
<i>By geographical market:</i>				
Hong Kong	41,023	30,261	(328)	8,012
Other regions in the People's Republic of China ("PRC")	68,387	138,558	1,495	2,417
Malaysia	123,168	60,321	4,998	14,483
United States of America	647	11,586	(341)	(6,463)
Australia	152,816	149,260	9,072	28,634
Singapore	–	3,084	–	849
Others	–	370	–	(583)
	<u>386,041</u>	<u>393,440</u>	<u>14,896</u>	<u>47,349</u>
Unallocated corporate expenses			<u>(1,496)</u>	<u>(1,723)</u>
Profit from operations			<u>13,400</u>	<u>45,626</u>

5. Depreciation

During the period, depreciation of approximately HK\$3 million (six months ended 30th September 2000: HK\$5 million) was charged in respect of the Group's property, plant and equipment.

6. Gain on disposal of subsidiaries

The amount represents a gain on disposal of two subsidiaries, Goldleaf Limited and Mayland Universal Sdn. Bhd. which engaged in investment holding and property development respectively for consideration of approximately HK\$105,569,000.

7. Loss on profit guarantee in respect of a subsidiary

The Group had entered into an agreement with the underwriters for the purpose of the listing of its subsidiary, New China Homes, Ltd. ("NCH") in NASDAQ stock market in the United States of America. Pursuant to the agreement, the Group has agreed that 25% of NCH shares held by the Group will be cancelled if the net income of NCH is less than US\$10 million in the first year after listing in NASDAQ. Since the profit target has not been achieved, 25% of the NCH shares held by the Group has been cancelled during the period which has resulted in a loss HK\$7,405,000.

8. Taxation

	Six months ended	
	30/9/2001	30/9/2000
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit tax (credit) charge:		
Hong Kong	(715)	(8)
Other regions in the PRC	1,852	3,128
Other jurisdictions	3,108	4,095
	<u>4,245</u>	<u>7,215</u>
Deferred taxation		
Other regions in the PRC	845	515
	<u>845</u>	<u>515</u>
Taxation attributable to the Company and its subsidiaries	5,090	7,730
Share of taxation attributable to associates	395	871
	<u>5,485</u>	<u>8,601</u>

9. Dividend

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30th September, 2001 (six months ended 30th September, 2000: Nil).

During the current interim period, HK\$19,049,000 was paid in respect of year 2001 final dividend (six months ended 30th September, 2000: HK\$18,783,000 paid in respect of year 2000 final dividend).

10. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$14,344,000 (six months ended 30th September, 2000: HK\$22,653,000) and on the weighted average number of 952,702,668 (six months ended 30th September, 2000: 939,147,635) shares in issue during the period.

No diluted earnings per share has been presented because the exercise prices of the Company's share options were higher than the average market price for shares for the six months ended 30th September, 2000 and 2001.

11. Additions to investment properties and properties under development

During the period, the Group spent approximately HK\$1 million (for the year ended 31st March, 2001: approximately HK\$9 million) on renovation of the investment properties.

In addition, the Group spent approximately HK\$97 million (for the year ended 31st March, 2001: HK\$83 million) on the stages of construction works of the development properties.

12. Trade and other receivables

The Group allows an average credit period of 60 days to its trade customers.

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

	30/9/2001 (unaudited) <i>HK\$'000</i>	31/3/2001 (audited) <i>HK\$'000</i>
0-60 days	27,251	43,236
61-90 days	4,087	3,977
>90 days	<u>30,827</u>	<u>28,512</u>
	<u>62,165</u>	<u>75,725</u>

13. Trade and other payables

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

	30/9/2001 (unaudited) <i>HK\$'000</i>	30/3/2001 (audited) <i>HK\$'000</i>
0-60 days	17,162	71,864
61-90 days	350	1,329
>90 days	<u>29,204</u>	<u>10,030</u>
	<u>46,716</u>	<u>83,223</u>

14. Share capital

During the current interim period, the Company issued and allotted a total of 15,297,994 shares at HK\$0.461 each (par value of HK\$0.1 each) pursuant to share dividend scheme for 2001 final dividend.

There were no movements in the share capital of the Company in the prior interim reporting period.

15. Share premium and reserves

	30/9/2001 (unaudited) HK\$'000	31/3/2001 (audited) HK\$'000
Share premium		
At beginning of the period/year	653,128	647,806
Credit arising on scrip dividend	5,523	5,322
At end of the period/year	<u>658,651</u>	<u>653,128</u>
Capital redemption reserve		
At beginning and at end of the period/year	<u>253</u>	<u>253</u>
Other reserve		
At beginning and at end of the period/year	<u>169,352</u>	<u>169,352</u>
Assets revaluation reserve		
At beginning and at end of the period/year	<u>169</u>	<u>169</u>
Investment properties revaluation reserve		
At beginning of the period/year	171,809	182,888
Revaluation decrease in the period/year	-	(21,143)
Share of associates' reserves movement during the period/year	-	10,064
At end of the period/year	<u>171,809</u>	<u>171,809</u>
Capital reserve		
At beginning and at end of the period/year	<u>869,357</u>	<u>869,357</u>
Exchange reserve		
At beginning of the period/year	(188,417)	(163,908)
Share of associates' reserves movement during the period/year	3,462	(26,634)
Exchange difference on translation of overseas operations	14,832	2,125
At end of the period/year	<u>(170,123)</u>	<u>(188,417)</u>
Investment revaluation reserve		
At beginning of the period/year	(56,073)	(38,277)
Revaluation decrease during the period/year	(8,028)	(17,796)
At end of the period/year	<u>(64,101)</u>	<u>(56,073)</u>
Warrant reserve		
At beginning of the period/year	-	24,768
Released on expiry of warrants	-	(24,768)
At end of the period/year	<u>-</u>	<u>-</u>
Retained profits		
At beginning of the period/year	678,985	650,122
Prior period adjustment (<i>Note 3</i>)	19,049	18,783
At beginning of the period/year as restated	698,034	668,905
Profit for the period/year	14,344	47,912
Dividend paid	(19,049)	(18,783)
At end of the period/year	<u>693,329</u>	<u>698,034</u>
Total Share Premium and Reserves	<u><u>2,328,696</u></u>	<u><u>2,317,612</u></u>

16. Contingencies and commitments

(i) Contingencies

At the reporting date, contingent liabilities of the Group were as follows:

	30/9/2001 (unaudited) HK\$'000	31/3/2001 (audited) HK\$'000
(a) Guarantees issued to secure banking and other facilities made available to		
– third parties	11,000	11,000
– an investee company	44,275	44,275
	<u><u> </u></u>	<u><u> </u></u>

(b) The Group has pre-sold part of the real estate development project in PRC and has accrued for accounting purposes the full amount of provisional foreign enterprises income tax on the deemed profits arising from the pre-sale pursuant to the relevant tax regulations. The Group, however, has not made installment payments in respect of the provisional tax liability because it has informally agreed with the relevant tax authority to allow the installments to be delayed until the project completed. Were the Group to be assessed at the daily rate of 0.2% on the balance due, as of 30th September, 2001 the potential delinquent charge would be approximately HK\$33 million (31/3/2001: HK\$23 million).

(c) The Group has given guarantee in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 30th September, 2001, the total amount of mortgages outstanding which are subject to these guarantees was approximately HK\$84 million (31/3/2001: HK\$73 million).

(d) The Group had entered into an agreement with the underwriters for the purpose of listing of its subsidiary, New China Homes, Ltd. (“NCH”) in NASDAQ Stock Market in the United States of America (the “USA”). Pursuant to the said agreement, the Group has agreed that 25% of NCH shares held by the Group will be cancelled if the net income of NCH is less than US\$20 million in the next following one-year period commencing on the first day of the month following the closing date of the public offer of the NCH shares in the USA.

(ii) Commitments

(a) At the reporting date, the Group had contracted but not provided for property development expenditure of approximately HK\$391 million (31/3/2001: HK\$191 million); and

(b) At the reporting date, the Group had authorised but not contracted for additional expenditure of a property development project in PRC of approximately HK\$221 million (31/3/2001: HK\$211 million).

17. Pledge of assets

- (a) The Group's properties and bank deposits with an aggregate net book value of approximately HK\$1,879 million (31/3/2001: HK\$1,922 million) together with properties of associates and a third party were mortgaged or pledged to the Group's bankers and loan creditors to secure banking and loan facilities granted to the Group and its associates to the extent of approximately HK\$1,511 million (31/3/2001: HK\$1,328 million) and HK\$101 million (31/3/2001: HK\$101 million) respectively.

- (b) The Group has entered into agreements with certain banks in respect of mortgage loans provided to house buyers of a property project in PRC. In accordance with those agreements, the Group deposits either 10% of the consideration of the properties sold and financed under the mortgage loans or between 10% and 20% of the amount of financing provided as a guarantee for settlement of the mortgage installments. Should mortgagors fail to pay mortgage installments, the bank can draw down the deposits up to the amount of mortgage installments not paid during the period from the mortgage drawdown to the date of releasing such guarantees. The guarantees will be released when property title deeds are passed to the banks as security for the respective mortgage loans. At the reporting date, deposit of approximately HK\$4.5 million (31/3/2001: HK\$4.5 million) was placed with banks to guarantee the above agreements.