

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with the requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting". The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31st March, 2001, except that the Group has changed certain of its accounting policies following the adoption of the new/revised SSAPs which became effective for the current accounting period. The adoption of these new/revised SSAPs has no significant effect to the results of the Group in the current or prior period.

### 2. Segmental information

An analysis of the Group's turnover and contribution to operating profit/(loss) by principal activity and geographical location is as follows:

	Turnover		Contribution to profit/(loss) from operating activities	
	Six months ended 30th September,		Six months ended 30th September,	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By activity:</b>				
Property development	287,857	154,018	(5,909)	(53,829)
Property investment	22,838	14,427	16,506	8,996
Other rental income	2,940	2,824	664	492
Interest income from mortgages	475	480	475	480
Property management income	1,645	1,770	1,645	1,770
Investment in Internet and technology related business	–	–	–	(2,020)
Others	–	–	(8,646)	(18,745)
	<u>315,755</u>	<u>173,519</u>	<u>4,735</u>	<u>(62,856)</u>
<b>By geographical location:</b>				
The People's Republic of China				
– Hong Kong	210,013	155,397	(6,820)	(64,854)
– Mainland China	97,534	9,630	8,282	(1,194)
Malaysia	5,736	6,227	3,073	3,213
Others	2,472	2,265	200	(21)
	<u>315,755</u>	<u>173,519</u>	<u>4,735</u>	<u>(62,856)</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (Continued)**3. Other revenue**

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income from bank deposits	2,063	5,058
Income from unlisted long term investments	–	985
Realised gain on disposal of short term investment	3,798	–
Gain on repurchase of convertible guaranteed bonds	–	2,411
Others	2,106	1,732
	<u>7,967</u>	<u>10,186</u>

**4. Profit/(loss) before tax**

The profit/(loss) before tax is arrived at after charging:

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of fixed assets	1,050	1,112
Accretion of convertible bond premium on redemption	3,776	7,640
Less: Amount capitalised under property development projects	3,776	7,640
	<u>–</u>	<u>–</u>
Amortisation of bond issue expenses	2,686	1,565
Less: Amount capitalised under property development projects	1,867	1,565
	<u>819</u>	<u>–</u>
Staff costs (including directors' emoluments)	7,197	9,379
Exchange losses, net	–	8,277

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (Continued)**5. Tax charge**

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Group:		
Hong Kong	<b>36</b>	121
Overseas	<b>1,057</b>	575
	<b>1,093</b>	696
Share of tax of jointly-controlled entities in Hong Kong	–	422
	<b>1,093</b>	<b>1,118</b>

The Group companies provide for tax on the basis of their income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Tax on the profits of subsidiaries operating overseas has been calculated at the rates of tax prevailing in their respective jurisdictions.

**6. Earnings/(loss) per share**

The calculation of the basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders of HK\$29,712,000 (2000: net profit of HK\$52,586,000) and on 1,334,154,019 (2000: weighted average of 1,334,146,419) shares of the Company in issue during the period.

The diluted loss per share for the period ended 30th September, 2001 has not been shown as all convertible guaranteed bonds and share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period (2000: anti-dilutive effect on the basic earnings per share).

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (Continued)**7. Prepayments, deposits and other receivables**

Included in prepayments, deposits and other receivables are trade receivables of HK\$30,587,000 (as at 31st March, 2001: HK\$16,282,000). The ageing analysis of trade receivables is as follows:

	<b>As at 30th September, 2001 (Unaudited) HK\$'000</b>	As at 31st March, 2001 (Audited) HK\$'000
Current to 30 days	<b>28,952</b>	15,201
31-60 days	<b>523</b>	417
61-90 days	<b>280</b>	266
Over 90 days	<b>832</b>	398
Total	<b><u>30,587</u></b>	<u>16,282</u>

Monthly rent in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. The balance of consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreements. Overdue trade debts are followed up closely by management and provided in full in case of non-recoverability.

**8. Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are trade payables of HK\$4,609,000 (as at 31st March, 2001: HK\$2,272,000). The ageing analysis of trade payables is as follows:

	<b>As at 30th September, 2001 (Unaudited) HK\$'000</b>	As at 31st March, 2001 (Audited) HK\$'000
Current to 30 days	<b><u>4,609</u></b>	<u>2,272</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (Continued)**9. Related party transactions**

- (a) The Group had transactions with companies in which James Sai-Wing Wong, Madeline May-Lung Wong, William Chung-Yue Fan and Herman Man-Hei Fung, directors of the Company, had beneficial interests during the period. The significant transactions are summarised below:

		<b>Six months ended</b>	
		<b>30th September,</b>	
		<b>2001</b>	2000
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Construction costs paid to related companies	<i>(i)</i>	<b>29,733</b>	38,469
Management fees paid to a related company	<i>(ii)</i>	–	3,000
Legal and professional fees paid to a solicitor's firm in which a director of the Company is a consultant	<i>(iii)</i>	<b><u>1,307</u></b>	<u>1,740</u>

*Notes:*

- (i) *Construction costs paid to related companies were agreed on an individual contract basis between the respective parties. Such costs were negotiated and charged on bases similar to those under contracts with third parties.*
- (ii) *Management fees were based on the underlying costs incurred by the related company. Commencing from 1st April, 2001, management fees payable by the Company are waived by the related company until further notice.*
- (iii) *The Directors consider that the provision of legal and professional services was made according to the standard prices and conditions similar to those offered to other clients of the solicitor's firm.*
- (b) In April, 2001, the Group issued 10% convertible guaranteed bonds due April, 2003 with a principal sum of HK\$300 million (the "Bonds"). Chinney Investments, Limited ("Chinney Investments"), as a substantial shareholder, and Patrick Yen-Tse Tsai, as a director, subscribed for the Bonds in the principal amount of HK\$141 million and HK\$2 million respectively. The subscriptions together with the Group's repurchase of the principal amount of US\$5,625,000 of the 5.3% convertible guaranteed bonds due July, 2001 held by Chinney Investments were approved by the independent shareholders of the Company on 9th April, 2001. The Bonds were issued and allotted to Chinney Investments and Patrick Yen-Tse Tsai under the same terms and conditions as other independent bondholders.
- (c) In May, 2001, the Group obtained bank loan facilities of HK\$150 million through cash collaterals provided by Lucky Year Finance Limited ("Lucky Year"), a substantial shareholder of the Company. In consideration of Lucky Year's provision of the cash security, the Group agreed to pay a commission of 1.75% per annum on the average principal amount of the cash security outstanding during the term of the bank loans to Lucky Year and counter-indemnify Lucky Year in respect of the cash security. As security for the counter-indemnity, the Group mortgaged the entire issued share capital of two of its subsidiaries and assigned shareholders' loans in an aggregate amount of HK\$220,245,259 to Lucky Year. The connected financing arrangement was approved by the independent shareholders of the Company on 28th June, 2001.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (Continued)**10. Share capital**

There were no movements in the authorised, issued and fully paid share capital of the Company in the current interim period.

**11. Reserves**

(Unaudited)	Share premium account <i>HK\$'000</i>	Special capital reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2001	126,628	533,659	(32)	10	(82,107)	580,685	1,158,843
Exchange realignments	-	-	-	-	(100)	-	(100)
Loss for the period	-	-	-	-	-	(29,712)	(29,712)
<b>At 30th September, 2001</b>	<b><u>126,628</u></b>	<b><u>533,659</u></b>	<b><u>(32)</u></b>	<b><u>10</u></b>	<b><u>(82,207)</u></b>	<b><u>550,973</u></b>	<b><u>1,129,031</u></b>

As a result of the capital reduction of the Company effected on 17th October, 2000, a credit of HK\$533,658,876.40 was transferred from the share capital account to a special capital reserve account. The Company has undertaken that the special capital reserve:

- (a) shall not be treated as realised profit; and
- (b) shall, for so long as the Company remains a listed company (as defined in the Companies Ordinance), be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof

provided always that the amount standing to the credit of the special capital reserve may be reduced by (i) the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration; or (ii) upon a capitalisation of distributable reserves after the capital reduction.

**12. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.

**13. Review of interim financial statements**

The interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.