

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of presentation and comparative figures

The condensed financial statements have been prepared in accordance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment 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 30th November, 2001, except as described below.

During the period, the Group has adopted SSAP 1 (Revised) "Presentation of financial statements" and SSAP 15 (Revised) "Cash flow statement" issued by the Hong Kong Society of Accountants in advance of their effective dates. The revised standards have introduced revised disclosure requirements which have been adopted in these condensed financial statements. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

Cash flow statements

In accordance with SSAP 15 (Revised) cash flows are classified under three headings: 'cash flows from operating activities', 'cash flows from investing activities', and 'cash flows from financing activities'. Interest and dividends, which were previously presented under a separate heading, should be classified on a consistent basis under either operating, investing or financing activities. Cash flows arising from taxes on income would typically be classified as operating activities, unless they can be separately identified with investing or financing activities.

In addition, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Turnover

Turnover represents the aggregate of amounts received and receivable from sales of properties, property rental income and cosmetics goods sold to outside customers less returns.

3. Segment information

Business segments

	Property development		Property leasing		Cosmetics		Other operations		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31st May,		31st May,		31st May,		31st May,		31st May,	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>9,183</u>	53,843	<u>12,629</u>	11,005	<u>3,128</u>	2,000	-	-	<u>24,940</u>	66,848
Segment result	<u>(2,578)</u>	(43,404)	<u>9,746</u>	8,437	<u>727</u>	742	-	-	<u>7,895</u>	(34,225)
Unallocated corporate expenses									<u>(6,333)</u>	(13,271)
Profit (loss) from operations									<u>1,562</u>	(47,496)
Finance costs									<u>(805)</u>	(679)
Investment income									<u>3,923</u>	13,689
Other losses	<u>(3,868)</u>	(347)	-	(946)	-	-	(1)	3	<u>(3,869)</u>	(1,290)
Share of results of associates	<u>(23)</u>	(286)	-	-	<u>(1,073)</u>	(41)	<u>(476)</u>	1,191	<u>(1,572)</u>	864
Loss before taxation									<u>(761)</u>	(34,912)
Taxation									<u>(886)</u>	24,306
Loss after taxation									<u>(1,647)</u>	(10,606)

Geographical segments

	Revenue by geographical markets		Contribution to profit (loss) from operations	
	Six months ended		Six months ended	
	31st May,		31st May,	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<u>16,514</u>	58,140	<u>(4,835)</u>	(54,257)
Elsewhere in the People's Republic of China ("PRC")	<u>8,426</u>	8,708	<u>6,397</u>	6,761
	<u>24,940</u>	66,848	<u>1,562</u>	(47,496)

4. Staff expenses and depreciation

	Six months ended 31st May,	
	2002	2001
	HK\$'000	HK\$'000
Staff expenses		
– Selling and marketing expenses	(130)	(119)
– Administrative expenses	(2,434)	(3,350)
	<u>(2,564)</u>	<u>(3,469)</u>
Depreciation		
– Selling and marketing expenses	(48)	(1)
– Administrative expenses	(22)	(17)
	<u>(70)</u>	<u>(18)</u>

5. Other operating expenses

	Six months ended 31st May,	
	2002	2001
	HK\$'000	HK\$'000
Gain on disposal of investment properties	–	56
Legal expenses in respect of lawsuits	(1,846)	(7,883)
	<u>(1,846)</u>	<u>(7,827)</u>

During the period, the legal expenses were incurred for legal disputes in respect of property development projects in Hong Kong and the PRC.

6. Finance costs

	Six months ended 31st May,	
	2002	2001
	HK\$'000	HK\$'000
Interest on:		
Bank loans, overdrafts and other borrowings		
– wholly repayable within five years	(1,233)	(14,132)
Less: amount capitalised	428	13,453
	<u>(805)</u>	<u>(679)</u>

7. Investment income

	Six months ended 31st May,	
	2002	2001
	HK\$'000	HK\$'000
Interest income	1,509	7,610
Unrealised holding gain on investments in securities	1,408	5,073
Dividend income – unlisted investment	1,006	1,006
	<u>3,923</u>	<u>13,689</u>

8. Other losses

	Six months ended 31st May,	
	2002	2001
	HK\$'000	HK\$'000
Impairment loss on amount due from associates	<u>(3,869)</u>	<u>(1,290)</u>

9. Taxation

	Six months ended 31st May,	
	2002	2001
	HK\$'000	HK\$'000
The (charge) credit comprises:		
Company and subsidiaries		
– Hong Kong		
current period	(796)	(846)
overprovision in prior years	5	25,283
	<u>(791)</u>	<u>24,437</u>
Associates		
– Hong Kong	(80)	(121)
– Other than Hong Kong	(15)	(10)
	<u>(95)</u>	<u>(131)</u>
	<u>(886)</u>	<u>24,306</u>

Hong Kong Profits Tax has been provided for at the rate of 16% on the estimated assessable profits for the period. Taxation on profits of subsidiaries and associates arising outside Hong Kong has been provided for in accordance with the relevant local jurisdictions. The taxation credit in 2001 mainly represents a reversal of provision made upon refund of tax paid in previous years at the final resolution of an outstanding tax dispute.

9. Taxation – Continued

No provision for deferred taxation has been recognised in the financial statements as the amount involved is not significant.

Deferred tax has not been recognised in respect of the surplus or deficit arising on the revaluation of investment properties and investments in securities as profits or losses arising on the disposal of these assets would not be assessable or allowable for tax purpose. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

10. Loss per share

The calculation of loss per share is based on the loss transfer to reserves for the period of HK\$929,000 (six months ended 31st May, 2001: HK\$11,151,000) and on the 959,899,416 (as at 31st May, 2001: 959,899,416) ordinary shares in issue throughout the period.

11. Accounts receivable, deposits and prepayments

The Group operates a controlled credit policy and allows an average credit period of 30 - 90 days to its trade customers who satisfy the credit evaluation. Included in accounts receivable, deposits and prepayments is trade receivable of HK\$2,907,000 (30th November, 2001: HK\$1,526,000).

The aging analysis of the trade receivable is as follows:

	31st May, 2002 HK\$'000	30th November, 2001 HK\$'000
Current	2,302	491
0-30 days	228	–
31-90 days	100	828
Over 90 days	277	207
	<u>2,907</u>	<u>1,526</u>

12. Accounts payable, rental deposits received and accruals

Included in accounts payable, rental deposits received and accruals is trade payable of HK\$259,000 (30th November, 2001: HK\$422,000).

The aging analysis of the trade payable is as follows:

	31st May, 2002 HK\$'000	30th November, 2001 HK\$'000
0-90 days	<u>259</u>	<u>422</u>

13. Share capital

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.40 each		
Authorised:		
At 1st December, 2000, 30th November, 2001 and 31st May, 2002	<u>3,000,000,000</u>	<u>1,200,000</u>
Issued and fully paid:		
At 1st December, 2000, 30th November, 2001 and 31st May, 2002	<u>959,899,416</u>	<u>383,960</u>

14. Commitments and contingent liabilities

At the balance sheet date, the Group had the following commitments and contingent liabilities not provided for in the financial statements:

	31st May, 2002 HK\$'000	30th November, 2001 HK\$'000
(a) Commitments contracted but not provided for in respect of land premium, construction costs and architect's fee	<u>383,370</u>	<u>92,792</u>
(b) Guarantees given to banks and financial institutions for general facilities made available to an associate and investee company	<u>64,539</u>	<u>65,971</u>

15. Related party transactions

The following transactions were subsisting during the period:

	Six months ended 31st May,	
	2002	2001
	HK\$'000	HK\$'000
Interest paid to ultimate holding company	-	7,071
Interest paid to a related company (<i>Note</i>)	-	324
Interest received from associates	31	59

In addition to the above, Chinese Estates, Limited, a wholly owned subsidiary of Chinese Estates Holdings Limited ("Chinese Estates", a company indirectly owns 50% interest of the ultimate holding company), performed certain administrative services for the Group, for which a management fee of HK\$24,000 (six months ended 31st May, 2001: HK\$24,000) was charged, being an appropriate allocation of costs incurred by relevant administrative departments.

Shanghai Golden Sea Building Limited ("Shanghai Golden Sea"), a subsidiary of the Group, entered into a tenancy agreement with Evergo Holdings (China) Company Limited ("Evergo BVI"), a wholly owned subsidiary of Chinese Estates, pursuant to which Shanghai Golden Sea agreed to lease to Evergo BVI B1 Unit 03 of Peregrine Plaza, Shanghai, the PRC for a period of two years commencing from 1st July, 2001 to 30th June, 2003 at a monthly rental of US\$702.60.

The House of Kwong Sang Hong Limited ("HKSH"), a wholly owned subsidiary of the Group, entered into a tenancy agreement with Hillsborough Holdings Limited ("Hillsborough"), a wholly owned subsidiary of Chinese Estates, pursuant to which Hillsborough agreed to lease to HKSH Shop No. 2 on the Ground Floor of Causeway Place, Causeway Bay, Hong Kong for a period of two years commencing from 1st April, 2001 to 31st March, 2003 at 50% of gross revenue of the shop per month.

Note: The related company is beneficially owned by close family members of Ms. Anita Shum, Yuk-ming, a substantial shareholder of the Company.

16. Litigation

A legal action against the Group was taken by a China joint venture partner. On 17th May, 1996, Huibei Provincial High Court ("Huibei Court") imposed a judgment against the Group in favour of the China joint venture partner in relation to the former joint development of Shuohu Court in Wuhan (the "Development"). The judgment, which the Group has appealed against, in effect nullified the joint development agreement for the Development. On 28th May, 1998, the Supreme People's Court of the People's Republic of China dismissed the appeal of the Group but, inter alia, reduced the amount of the judgment sum of the Huibei Court issued on 17th May, 1996. Based on the judgment, the judgment sum of HK\$13,354,000, which includes unpaid contract sums, damages, legal costs and interest charges, would have to be paid. However, the Group disputes the quantification and through its legal advisors continues to apply for review against the judgment. Based on legal advice, a total provision of HK\$64.8 million was made in 1998 of which HK\$51.4 million was made against the investment cost paid. The remaining HK\$13.4 million was provided against damages, legal costs and interest charges up to 1998. The Directors believe that no further provision is required at this stage.

On 22nd July, 1999, the Huibei Supreme Court caused an Attachment Order being registered against an investment property of the Group with a carrying value of approximately HK\$30.5 million (30th November, 2001: HK\$30.5 million) situated at 50th Floor, Shun Hing Square, Shenzhen which are being held by a wholly owned subsidiary of the Group as the registered owner.

On 21st February, 2002, the Attachment Order was released and no re-registration of the Attachment Order has been received up to the date of this report. The Directors consider that there will not be significant impact on the financial statements as provision for the case has been adequately provided as explained above.