

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

1. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements for the period of the Group 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 (“Listing Rules”) and Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 March 2002, except for the adoption of the following revised and new SSAPs which are effective for the first time for the period:

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The adoption of these SSAPs has resulted in changes in the format of presentation of the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity, but has no material effect on the results for the current or prior accounting periods.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

	Six months ended 30 September (unaudited)						Total HK\$
	Hotel operation HK\$	Property rental HK\$	Securities trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	
2002							
Turnover	<u>5,615,277</u>	<u>3,019,903</u>	<u>182,924</u>	<u>23,054,635</u>	<u>548,116</u>	<u>-</u>	<u>32,420,855</u>
Segment result	<u>289,333</u>	<u>(37,056,082)</u>	<u>(1,707,851)</u>	<u>21,571,304</u>	<u>(5,894,602)</u>	<u>(1,929,319)</u>	<u>(24,727,217)</u>
Finance costs							<u>(2,783,474)</u>
Share of results of associates	-	-	-	135,790,674	(25,111,295)	-	<u>110,679,379</u>
Profit before taxation							83,168,688
Taxation	-	-	-	(21,430,500)	-	-	<u>(21,430,500)</u>
Profit before minority interests							61,738,188
Minority interests							<u>682,766</u>
Profit for the period							<u>62,420,954</u>
2001							
Turnover	<u>5,086,136</u>	<u>4,407,176</u>	<u>82</u>	<u>1,931,441</u>	<u>68,642</u>	<u>-</u>	<u>11,493,477</u>
Segment result	<u>560,704</u>	<u>(2,128,157)</u>	<u>(640,642)</u>	<u>1,447,198</u>	<u>(4,543,284)</u>	<u>(894,936)</u>	<u>(6,199,117)</u>
Finance costs							<u>(1,945,491)</u>
Share of results of associates	-	-	-	(3,000)	(143,572)	-	<u>(146,572)</u>
Loss before taxation							<u>(8,291,180)</u>
Taxation							<u>-</u>
Loss before minority interests							<u>(8,291,180)</u>
Minority interests							<u>358,414</u>
Loss for the period							<u>(7,932,766)</u>

Geographical segments

	Sales revenue by geographical market		Contribution to profit (loss) from operation	
	2002	2001	2002	2001
	(unaudited) HK\$	(unaudited) HK\$	(unaudited) HK\$	(unaudited) HK\$
Hong Kong	29,513,452	7,086,301	12,130,829	(4,387,202)
Other regions in the People's Republic of China	2,907,403	4,407,176	(36,858,046)	(1,811,915)
	<u>32,420,855</u>	<u>11,493,477</u>	<u>(24,727,217)</u>	<u>(6,199,117)</u>

3. DEPRECIATION

During the period, depreciation of HK\$1,798,572 (2001: HK\$2,601,076) was charged in respect of the Group's property, plant and equipment.

4. OTHER OPERATING EXPENSES

During the period, the directors have assessed the carrying value of the leasehold buildings and improvement of Beijing Warwick International Apartments, an impairment loss in respect of leasehold buildings and improvement of approximately HK\$34.80 million was recognized.

5. FINANCE COSTS

	Six months ended 30 September	
	2002	2001
	(unaudited) HK\$	(unaudited) HK\$
Interest on borrowings wholly repayable within 5 years:		
Bank loans & overdraft	2,640,311	1,582,340
Obligation under finance leases	14,788	24,981
Interest on mortgage loans wholly repayable after 5 years:	128,375	288,170
Bank charges	—	50,000
	<u>2,783,474</u>	<u>1,945,491</u>

6. TAXATION

The amount represents share of taxation attributable to an associate. Other than that, no provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries incurred tax losses in both the current and the prior interim reporting period.

7. EARNINGS (LOSS) PER SHARE

(a) *Basic earnings (loss) per share*

The calculation of basic earnings (loss) per share is based on the Group's profit attributable to shareholders of HK\$62,420,954 (2001: loss of HK\$7,932,766) and on the 488,842,675 (2001: 488,842,675) shares in issue during the period.

(b) *Diluted earnings (loss) per share*

No diluted earnings (loss) per share has been presented because the exercise prices of the outstanding share options of the Company were greater than the average market price of shares for both the current and the prior interim reporting period.

8. INTERESTS IN ASSOCIATES

The following financial information is extracted from the unaudited financial statements of the Group's principal associates.

	30 June 2002 (unaudited) HK\$
Operating results for the six months ended 30 June 2002:	
Turnover	1,660,329,973
Depreciation	134,238
Diminution of asset value	54,600,000**
Profit before taxation	<u>215,774,971</u>
Profit before taxation attributable to the Group	<u><u>110,679,379</u></u>
Financial position at 30 June 2002:	
Non-current assets	700,112,877
Current assets	1,018,617,020
Current liabilities	(1,045,125,752)
Non-current liabilities	<u>(59,333,593)</u>
Net assets	<u><u>614,270,552</u></u>
Net assets attributable to the Group	<u><u>276,843,403</u></u>

** During the period, the directors of an associated company, Bolan Holdings N.V. has revalued its interest in land situated in Sydney, Australia and made a diminution of asset value by US\$7 million.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group generally allows an average credit period of not more than 30 days to its customers.

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

	30/9/2002 (unaudited) HK\$	31/3/2002 (audited) HK\$
0 – 30 days	169,715	253,774
31 – 60 days	77,617	103,553
Over 60 days	160,714	156,317
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	408,046	513,644
Other advances and prepayments	1,737,826	2,969,650
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	2,145,872	3,483,294

10. CREDITORS, ACCRUALS AND OTHER PAYABLES

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

	30/9/2002 (unaudited) HK\$	31/3/2002 (audited) HK\$
0 – 30 days	347,613	365,111
31 – 60 days	326,713	601,460
Over 60 days	1,425,161	1,364,244
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	2,099,487	2,330,815
Accruals	3,859,793	4,062,596
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	5,959,280	6,393,411

11. SHARE CAPITAL

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

12. COMMITMENTS

The Group had contracted with an independent consultancy company for the acquisition of exchange and/or joint venture development of Kau Wah Keng Old Village, Lai Chi Kok, Kowloon and the outstanding commitment at 30/09/2002 on procurement fee amounted to HK\$28,000,000 (31/03/2002: HK\$28,000,000).

13. POST BALANCE SHEET EVENT

On 28 November 2002, the Shareholders of the Company at the extraordinary general meeting has passed a resolution to acquire 25 percent equity interest in Tradeland Investments Limited (“Tradeland”) at a consideration of HK\$37 million. Before acquisition, the Company indirectly owns 75 percent equity interest in Tradeland. Upon completion of the acquisition, Tradeland will become an indirectly wholly-owned subsidiary of the Company. The acquisition will enable the Group to have greater flexibility and control on the redevelopment of the land situated at No. A7, Nam Shui Guan, Guang Qu Men, Chong Wen District, Beijing (北京市崇文區廣渠門南水關甲七號院).

MANAGEMENT DISCUSSION AND ANALYSIS

The profit attributable to shareholders for the six months ended 30 September 2002 is HK\$62,420,954 (six months ended 30 September 2001: loss of HK\$7,932,766).

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 September 2002 (2001: Nil).

Review of operations and prospects

The businesses of the Group, except Beijing Warwick International Apartments, remain stable during the period under review despite the economic downturn. In view of the global economic climate, the directors had taken and pursue several corporate exercises with the intention to rationalise the activities of the Group.

The directors have assessed the carrying value of the leasehold buildings and improvement of Beijing Warwick International Apartments, an impairment loss in respect of leasehold buildings and improvement of approximately HK\$34.80 million was recognized.

During the period, the directors of an associated company of the Company, Bolan Holdings N.V. has revalued its interest in land situated in Sydney, Australia and made a diminution of asset value by US\$7 million and the Group has shared the value in proportion to the equity interest held.

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As to our joint venture development, Nob Hill, the certificate of compliance was issued in September 2002 and vacant possession of the residential units were delivered to the purchasers accordingly.

The Group acquired a carport podium situated at Nelson Street of Mongkok, Kowloon consisting of 4 floors with 88 registered car parking spaces and a total gross floor area of approximately 29,400 square feet.

Employees

The Group has approximately 110 employees. Employees are remunerated according to nature of the job and market trend, with build-in merit component incorporated in the annual increment to reward and motivate individual performance.

Finance activities

At the interim reporting date, the Group had bank loans and overdraft facilities amounting to HK\$197,163,402 (31/03/2002: HK\$199,265,883), of which HK\$147,784,901 (31/03/2002: HK\$192,265,883) were utilised. These facilities were secured by legal mortgages over the Group's properties and deposits with an aggregate net book value of HK\$90,854,448 (31/03/2002: HK\$57,449,788) and HK\$2,148,715 (31/03/2002: HK\$2,136,010) respectively. A floating charge is applied on all assets, properties and undertakings both present and future including uncalled capital of the Company.

At 30 September 2002, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

Shareholders' funds at 30/09/2002 amounted to approximately HK\$646 million (31/03/2002: approximately HK\$584 million). Accordingly, the Group's gearing ratio (total bank loans and overdraft facilities utilised to shareholders' funds) at 30/09/2002 is 23% (31/03/2002: 33%).