

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### (1) Accounting Policies

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 interim financial report has been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by The Hong Kong Society of Accountants ("HKSA").

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of Financial Statements
SSAP 11 (Revised)	Foreign Currency Translation
SSAP 15 (Revised)	Cash Flow Statements
SSAP 34	Employee Benefits

The adoption of the above standards has resulted in changes in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

### (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 liquidity position and the going concern status of the Group.

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 classified 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 actively holding negotiation with the Group's bankers to discuss the potential rescheduling of the Group's remaining borrowings and at the same time are seeking additional finance for the Group with a view to improve its liquidity position.

Provided that the Group's bankers continue to support the Group and the proposed financing arrangement to be taken by the Group can be 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 for the foreseeable future. Accordingly, the interim financial report has been prepared on a going concern basis.

**(3) Segment Information**

For management purposes, the Group is currently organized into four operating divisions, namely, sale of properties, rental service, building management and agency services, and technology related business. These divisions are the basis on which the Group reports its primary segment information.

*Business segments:*

**For the six months ended 30 September 2002**

	Sale of properties HK\$'000	Rental service HK\$'000	Building management and agency services HK\$'000	Technology related business HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
External revenue	58,906	9,913	2,516	-	-	71,335
Inter-segment revenue	-	741	94	-	(835)	-
Total revenue	<u>58,906</u>	<u>10,654</u>	<u>2,610</u>	<u>-</u>	<u>(835)</u>	<u>71,335</u>
Segment result	<u>(17,789)</u>	<u>6,658</u>	<u>1,098</u>	<u>-</u>	<u>-</u>	<u>(10,033)</u>
Unallocated other revenue						1,452
Interest income						66
Unallocated corporate expenses						(12,739)
Loss from operations						(21,254)
Share of results of associates						-
Finance costs						(9,042)
Net loss for the period						<u>(30,296)</u>

**For the six months ended 30 September 2001**

	Sale of properties <i>HK\$'000</i>	Rental service <i>HK\$'000</i>	Building management and agency services <i>HK\$'000</i>	Technology related business <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
External revenue	36,000	9,492	2,324	-	-	47,816
Inter-segment revenue	-	741	94	-	(835)	-
Total revenue	<u>36,000</u>	<u>10,233</u>	<u>2,418</u>	<u>-</u>	<u>(835)</u>	<u>47,816</u>
Segment result	<u>(655)</u>	<u>5,604</u>	<u>621</u>	<u>-</u>	<u>-</u>	5,570
Unallocated other revenue						1,330
Interest income						389
Unallocated corporate expenses						(18,621)
Loss from operations						(11,332)
Share of results of associates				(2,814)		(2,814)
Finance costs						(25,811)
Net loss for the period						<u>(39,957)</u>

*Note:* The inter-segment transactions were carried out with reference to the market price.

**(4) Depreciation**

During the period, depreciation of approximately HK\$334,000 (six months ended 30.9.2001: HK\$421,000) was charged to the administrative expenses in respect of the Group's 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) Dividend**

Dividend for preference shares of approximately HK\$579,000 (six months ended 30.9.2001: Nil) was paid during the period to a preference shareholder in accordance with the rights of preference shareholders of the Company.

**(7) Loss per Share**

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$30,296,000 (six months ended 30.9.2001: HK\$39,957,000) and on weighted average number of 3,236,460,924 (six months ended 30.9.2001: 1,769,146,338) shares in issue during the period.

The computation of diluted loss per share for both periods does not assume the exercise of the conversion rights attached to the Company's outstanding share options and convertible redeemable non-voting preference shares as these conversions would result in a decrease in loss per share.

**(8) Property, Plant and Equipment**

During the period ended 30 September 2002, the Group sold one of its investment properties to an independent third party at a consideration of HK\$55 million. The proceeds arising therefrom will be used to settle the bank loan secured by the investment property sold.

In addition, the Group spent approximately HK\$232,900 on plant and equipment during the six months ended 30 September 2002 (six months ended 30.9.2001: HK\$73,000).

**(9) Investments in Securities**

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Equity securities:		
<i>Non-current</i>		
Investment securities - unlisted ( <i>Note</i> )	<b>140,400</b>	140,400
<i>Current</i>		
Other investments - listed	<b>517</b>	3,192
	<b><u>140,917</u></b>	<u>143,592</u>

*Note:* The investment represents the Group's 1.99% equity interest in Hong Kong Satellite Technology Holdings Limited which is an investment holding company whose subsidiaries are principally engaged in the development of a satellite communications platform and the manufacture, assembly, marketing and sale of new commercial communications satellites.

**(10) Trade and Other Receivables**

It is the Group's policy to demand advance payment from its trade customers, except where there is an agreement relating to sale of properties, in which case payment shall be made according to its terms.

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

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Within 60 days	<b>56,121</b>	1,601
Between 61 - 90 days	<b>182</b>	352
Over 90 days	<b>1,292</b>	891
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Trade receivables	<b>57,595</b>	2,844
Other receivables	<b>3,046</b>	2,754
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	<b>60,641</b>	5,598
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**(11) Trade and Other Payables**

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

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Trade payables with age of 91 days or above	<b>1,726</b>	1,726
Accrued bank loan interest	<b>9,605</b>	860
Other payables	<b>6,103</b>	6,246
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	<b>17,434</b>	8,832
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**(12) Amount Due to a Director**

	<b>30 September 2002 HK\$'000</b>	31 March 2002 HK\$'000
Interest bearing at prevailing market rates	<b>33,000</b>	-
Non-interest bearing	<b>7,686</b>	40,213
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	<b>40,686</b>	40,213
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The amount is unsecured and not repayable in the next twelve months from the balance sheet date. Accordingly, the entire amount is shown as non-current liability.

**(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\$146,400,000 (31.3.2002: HK\$219,400,000) and HK\$61,305,000 (31.3.2002: HK\$65,000,000) respectively.

**(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 September	
		2002 HK\$'000	2001 HK\$'000
Cymbeline Limited	Rental expenses paid by the Group (notes a and c)	48	48
Good Harvest Securities Company Limited	Rental income received by the Group (notes b and c)	109	160
Mr. Chu Yu Lin, David	Rental income received by the Group (note c)	74	80
	Preference share dividend paid by the Group (note d)	579	-
	Interest expenses paid by the Group (note e)	<u>848</u>	<u>-</u>

Notes:

- (a) Mr. Chan King Hung has a beneficial interest in Cymbeline Limited.
- (b) Mrs. Chu Ho Miu Hing has a beneficial interest in Good Harvest Securities Company Limited.
- (c) The above transactions were carried out with reference to the market price.
- (d) The preference share dividend was calculated at 1% per annum on the aggregate par value of the preference shares outstanding.
- (e) The interest expenses were calculated at prevailing market rates.

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 Events**

The Company entered into placing agreements ("Placing Agreements") with Benevolent Developments Limited ("Benevolent") and Well Growth Group Limited ("Well Growth") respectively on 23 and 24 April 2002. Under the Placing Agreements, Benevolent and Well Growth agreed to subscribe for or procure independent investors to subscribe for respectively 292,500,000 and 195,000,000 new ordinary shares of HK\$0.1 each of the Company at HK\$0.4 per share to be completed on or before 20 August 2002 (or such other date as the parties may agree to).

On 2 October 2002, the Company agreed with Benevolent and Well Growth to further extend the date for completion of the Placing Agreements to on or before 31 December 2002 (or such other date as the parties may agree to). On the same date, the Company agreed with Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite")

and Mr. Chu Yu Lin, David to further extend the date for completion of the subscription agreement dated 25 April 2002 for the subscription of 200 new shares of US\$1 each in Hong Kong Satellite by the Company at a consideration of US\$20 million to on or before 31 December 2002 (or such other date as the parties may agree to) and to terminate the said subscription agreement if completion of the Placing Agreements does not occur on or before 31 December 2002 (or such other date as the parties may agree to).

### **INTERIM DIVIDEND**

The Directors resolved not to declare an interim dividend for the six months ended 30 September 2002 (six months ended 30.9.2001: Nil).

### **LIQUIDITY AND FINANCIAL RESOURCES**

The total bank debt of the Group as at 30 September 2002 was slightly reduced to HK\$257 million from HK\$269 million as at 31 March 2002. The gearing ratio, calculated on the basis of the Group's total bank borrowings over its total assets, was 53% at the interim period end date.

### **BUSINESS REVIEW**

For the six months ended 30 September 2002, the Group recorded a loss of approximately HK\$30 million, down 24% as compared with HK\$40 million loss in the last corresponding period. The reduction in loss was mainly attributed to the drop of finance costs resulting from the reduction of the Group's debts following the disposal of a debt-laden property in the prior year and the decrease in administrative expenses.

During the period under review, the global economy was gloomy and volatile. As affected by the globally weakening market sentiment, the economy in Hong Kong was also hard hit by the rising unemployment rate and the widening deflation, along with the structural budget deficit, unresolved. The investors, especially in the property investment sector, were losing confidence in the property market, making the property market transactions very sluggish.

Despite this economic environment, turnover of the Group during the reporting period was HK\$71.34 million, representing an increase of approximately 49% from HK\$47.82 million in the last corresponding period. Proceeds from sale of properties was approximately HK\$59 million, being approximately 83% of the total turnover, representing an increase of approximately 64% as compared with the corresponding period last year. Income derived from rental was approximately HK\$9.91 million, accounting for approximately 14% of the total turnover, representing an increase of 4% as compared with the preceding corresponding period. During the period under review, the Group witnessed a remarkable decline in the rental price, such effect however was substantially offset by the increase in the rentable floor area following the acquisition of a commercial property by the Group during the debt restructuring exercise implemented early this year. Building management and agency fees contributed approximately HK\$2.52 million, or approximately 3% of the total turnover, representing a slightly increase of approximately 8% as compared with the corresponding preceding period.