

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 1. Basis of presentation

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 with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

## 2. Principal 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, 2002, except as described below.

In the current period, the Group had adopted, for the first time, a number of new and revised SSAPs, which has resulted in the following changes in the Group accounting policies and the presentation of the financial statements.

### *Statement of changes in equity*

The revisions to SSAP 1 “Presentation of Financial Statements” have introduced a choice for the format of presentation of the statement of changes in equity. In prior periods, the Group presented a statement of recognised gains and losses, with the details of capital transactions with owners and distributions to owners separately disclosed in the notes to the financial statements. Pursuant to the adoption of SSAP 1 (Revised), the Group has chosen to present a comprehensive statement of changes in equity. Accordingly, the presentation in prior period’s condensed financial statements has been restated in order to achieve a consistent presentation.

### *Foreign currencies*

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. This change in accounting policy does not have any material effect on the results for the current or prior accounting periods.

## 2. Principal accounting policies (Continued)

### 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 for interest and dividend received and as financing cash flows for interest and dividend paid. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. The presentation in the prior period's condensed cash flow statement has been reclassified in order to achieve a consistent presentation.

### Employee benefits

SSAP 34 "Employee Benefits" introduced a formal framework for the recognition of liabilities and expenses in respect of employee benefits. The adoption of this new accounting standard has not resulted in any material effects on the financial statements of the prior period and accordingly, no prior period adjustment has been recognised.

## 3. Turnover and Segment information

For management purposes, the Group is currently organized into five operating divisions - securities investment, property development and investment, hotel operations, industries, and treasury. These divisions are the basis on which the Group reports its primary segment information.

### Business segments

	Turnover		Segment results	
	Six months ended		Six months ended	
	30/9/2002 (unaudited) HK\$'000	30/9/2001 (unaudited) HK\$'000	30/9/2002 (unaudited) HK\$'000	30/9/2001 (unaudited) HK\$'000
By principal activity:				
Property development and investment	317,478	304,592	907	30,020
Hotel operations	22,236	21,958	3,708	1,644
Securities investment	28,194	41,131	(3,067)	(8,955)
Industries	14,976	16,386	429	(1,671)
Treasury	2,004	1,974	3,001	(6,142)
	<u>384,888</u>	<u>386,041</u>	<u>4,978</u>	<u>14,896</u>
Unallocated corporate expenses			<u>(2,183)</u>	<u>(1,496)</u>
Profit from operations			<u>2,795</u>	<u>13,400</u>

#### 4. Depreciation

During the period, depreciation of approximately HK\$3 million (six months ended 30th September, 2001: approximately HK\$3 million) was charged in respect of the Group's property, plant and equipment.

#### 5. Impairment loss recognised in respect of properties held for development

The directors have assessed the recoverable amount of the properties under development projects, one of them is not able to generate positive cash flow to the Group in the future. An impairment loss of HK\$5 million has been recognised.

#### 6. Taxation

	Six months ended	
	30/9/2002	30/9/2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit tax charge (credit):		
Hong Kong	3	(715)
Other regions in the People's Republic of China ("PRC")	1,929	1,852
Other jurisdictions	1,369	3,108
	<u>3,301</u>	<u>4,245</u>
Deferred taxation		
Other regions in the PRC	1,929	845
Taxation attributable to the Company and its subsidiaries	5,230	5,090
Share of taxation attributable to associates	571	395
	<u>5,801</u>	<u>5,485</u>

#### 7. Dividend

On 30th September, 2002, an amount of HK2 cents per share (2001: HK2 cents) was paid to shareholders as the final dividend for the financial year ended 31st March, 2002. The Directors do not recommend the payment of interim dividend for the current and prior period.

#### 8. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$7,552,000 (six months ended 30th September, 2001: HK\$14,344,000) and on the weighted average number of 967,844,872 (six months ended 30th September, 2001: 952,702,668) shares in issue during the period.

Diluted earnings per share has not been presented for either period because the Company does not have any dilutive potential ordinary shares.

## 9. Investment Properties and Properties Under Development

During the period, the Group spent approximately HK\$10 million (for the year ended 31st March, 2002: HK\$3 million) on renovation of the investment properties.

In addition, the Group spent approximately HK\$14 million (for the year ended 31st March, 2002: HK\$87 million) on the stages of construction works of the development properties. Moreover, the Group also disposed of two properties under development for sales for a consideration of approximately HK\$148 million and a release of approximately HK\$80 million from the investment revaluation reserves during the period.

## 10. 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 receivables at the reporting date:

	<b>30/9/2002</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/3/2002 (audited) HK\$'000
0 – 60 days	<b>65,878</b>	29,236
61 – 90 days	<b>4,265</b>	2,144
>90 days	<b>33,118</b>	39,313
	<b><u>103,261</u></b>	<b><u>70,693</u></b>

## 11. Trade payables and accruals

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

	<b>30/9/2002</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/3/2002 (audited) HK\$'000
0 – 60 days	<b>14,887</b>	63,422
61 – 90 days	<b>381</b>	2,708
>90 days	<b>58,523</b>	30,129
	<b><u>73,791</u></b>	<b><u>96,259</u></b>

## 12. Bank and other borrowings

During the period, the Group obtained new bank loans in the amount of HK\$163 million (31/3/2002: HK\$207 million). The loans bear interest at market rates.

### 13. Share capital

During the current interim period, the Company issued and allotted a total of 17,384,437 shares at HK\$0.391 each (par value of HK\$0.1 each) pursuant to scrip dividend scheme for 2002 final dividend.

In prior 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 the scrip dividend scheme for 2001 final dividend.

### 14. Contingencies and commitments

#### (i) Contingencies

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

	<b>30/9/2002</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/3/2002 (audited) HK\$'000
(a) Guarantees issued to secure banking and other facilities made available to		
– third parties	–	11,000
– an investee company	<u>44,793</u>	<u>44,793</u>
(b) The Group has given guarantees in respect of mortgage loans provided to the home buyers of a property project in PRC. At 30th September, 2002, the total amount of mortgages outstanding which are subject to these guarantees was HK\$5 million (31/3/2002: HK\$27 million).		
(c) The Group has given rental guarantee to a third party for the properties situated in Australia. At 30th September, 2002, the total amount of these guarantees was HK\$10.3 million (31/3/2002: HK\$10.6 million).		
(d) The Inland Revenue Department has raised additional estimated assessments against the Group for the year of assessment 1995/96, requesting total tax payment of HK\$2.8 million (31/3/2002: HK\$2.8 million). Regarding this tax dispute, the potential tax liability to the Group is amounting to HK\$11 million of 1995/96 to 2000/2001. The Group intends to contest the case vigorously. While the outcome of this dispute cannot at present be estimated with certainty, the directors are of the opinion that the outcome of this case would not have a material impact on the financial position of the Group at 30th September, 2002.		

- (e) During the period, the Company's subsidiary was sued by a contractor working for it to develop Phase III of Chingchu California Gardens. The contractor alleges that the Company's subsidiary owes it approximately HK\$14 million for work performed. Of this amount, approximately HK\$3.8 million related to work encompassed by the construction contract which has not been paid by the Company's subsidiary, which has been recorded as a liability in the accompanying financial statements as of 30th September, 2002. The remaining HK\$10 million relates to additional construction work performed has not been provided in the financial statements. However, the Company's subsidiary filed a counter-claim seeking approximately HK\$10 million (31/3/2002: HK\$10 million) from the contractor, asserting that it failed to comply with certain specifications of the construction contract and sought damages for the contractor's delay in completing the project. Both the contractor's claim and the Company's subsidiary counter-claim are pending in a PRC court, which is expected to be heard by the end of the calendar year 2002. In the meantime, the PRC court has ordered that certain assets amounted to HK\$1.7 million of the Company's subsidiary be frozen.

The ultimate outcome of these matters is uncertain.

(ii) *Commitments*

- (a) At the balance sheet date, the Group had capital expenditure contracted for but not provided in the financial statements on property development expenditure of approximately HK\$304 million (31/3/2002: HK\$260 million); and
- (b) At the balance sheet date, the Group had capital expenditure authorised but not yet contracted for additional expenditure on a property development project in Shanghai of approximately HK\$173 million (31/3/2002: HK\$217 million).

## 15. Pledge of assets

- (a) The Group's properties and bank deposits with an aggregate net book value of approximately HK\$1,667 million (31/3/2002: HK\$1,702 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\$1,404 million (31/3/2002: HK\$1,390 million) and HK\$5 million (31/3/2002: HK\$5 million) respectively.
- (b) The Group's listed investments of approximately HK\$34 million (31/3/2002: HK\$38 million) were pledged to the Group's financial institutions to secure margin trading facilities granted to the Group in respect of securities transactions to the extent of approximately HK\$10 million (31/3/2002: HK\$15 million), of which HK\$6 million (31/3/2002: HK\$8 million) were utilised.
- (c) The Group has entered into agreements with certain banks in respect of mortgage loans provided to home buyers of property project in the PRC. In accordance with those agreements, the Company 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 mortgages installments, the bank can draw down the deposits up to the amount of mortgage installments not paid during the period from the mortgage draw down 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 balance sheet date, deposit of approximately HK\$7 million (31/3/2002: HK\$0.7 million) was placed with banks to guarantee the above agreements.