

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION

The consolidated interim accounts have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of approximately HK\$869,864,000 and deficiency in assets of approximately HK\$787,608,000 as at 31st October 2002. On 25th May 2001, the Group's promissory note holder – Yu Ming Investments Limited (“Yu Ming”) filed writ of summons to demand for the repayment of amounts due and petition for the winding-up of the Company. On 19th September 2001, the Company entered into a Standstill Agreement with certain creditors and bankers including the above promissory note holder (collectively, the “Creditors”). Pursuant to the Standstill Agreement, the Creditors agreed to take no action to recover their claims in consideration that the Company will procure to carry out debt restructuring exercise. Since the Standstill Agreement expired on 31st December 2001, no creditors have taken any actions against the Company and on 8th May 2002, the Company entered into a proposed Debt Restructuring Agreement (“Restructuring Proposal”) with the Creditors and Perfect View Development Limited (“Perfect View”). The Restructuring Proposal was completed on 16th December 2002, the principal terms and conditions of which are set out in the circular of the Company dated 4th November 2002. Although the Restructuring Proposal was completed on 16th December 2002, the financial effects of the Restructuring Proposal were yet to be taken into account in the preparation of this report for the period ended 31st October 2002. Further discussion in respect of the Restructuring Proposal is set out in Note 15 “Post Balance Sheet Events”.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim accounts 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 (the “Listing Rules”) and the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The principal accounting policies and methods of computation used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 30th April 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP 1 (revised) “Presentation of financial statements”

In order to comply with the revised requirements of SSAP 1 (revised), the Group presents the new statement “Consolidated statement of changes in equity” which replaces the “Consolidated statement of recognized gains and losses” included in previous financial statements. The new statement reconciles movements of key components of the shareholders' funds, including share capital, reserves and accumulated losses, from the beginning to the end of a period.

SSAP 15 (revised) “Cash flow statements”

According to the revised SSAP, cash flow during the period has been reclassified by operation, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (revised)	Foreign Currency Translation
SSAP 25 (revised)	Interim financial reporting
SSAP 33	Discontinuing operations
SSAP 34	Employee benefits

2. **PRINCIPAL ACCOUNTING POLICIES** (*Continued*)

Apart from SSAP 1 and SSAP 15, the other new and revised SSAPs adopted during the period have no significant impact on this interim financial statement.

3. **TURNOVER AND SEGMENT INFORMATION**

An analysis of the Group's turnover and contributions to loss from operations by principal activities and by geographical markets is as follows:

By Business Segments:

	Unaudited	
	Six months ended	
	31st October	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Property investment and management consultancy and agency	1,849	2,788
Corporate investment and financial services	2,469	8,119
	<u>4,318</u>	<u>10,907</u>

	Unaudited	
	Six months ended	
	31st October	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributions to loss from operations:		
Property investment and management consultancy and agency	(1,244)	(2,662)
Corporate investment and financial services	(20,540)	(30,942)
	<u>(21,784)</u>	<u>(33,604)</u>
Segment results	(21,784)	(33,604)
Unallocated costs	(30,036)	(65,480)
	<u>(1,870)</u>	<u>(5,032)</u>
Share of results of jointly controlled entities	(1,870)	(5,032)
	<u>(53,690)</u>	<u>(104,116)</u>
Loss from operating activities	(53,690)	(104,116)
Taxation	(9)	(24)
	<u>(53,699)</u>	<u>(104,140)</u>
Loss absorbed by shareholders	(53,699)	(104,140)

3. **TURNOVER AND SEGMENT INFORMATION** (Continued)

By Geographical Segments:

	Unaudited Turnover Six months ended 31st October		Unaudited Contributions to loss from operations Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and People's Republic of China	4,118	9,622	(53,899)	(105,257)
Malaysia	200	1,285	200	1,117
	<u>4,318</u>	<u>10,907</u>	<u>(53,699)</u>	<u>(104,140)</u>

4. **OPERATING LOSS**

Operating loss is stated after crediting and charging the following:

	Unaudited Six months ended 31st October	
	2002 HK\$'000	2001 HK\$'000
Crediting:		
Gain on disposal of fixed assets	72	555
Charging:		
Staff costs	1,057	9,296
Depreciation	10	116
Operating leases on land and buildings	1,793	2,464
Provision for impairment losses of short term listed investments	<u>15,915</u>	<u>48,020</u>

5. **TAXATION**

No provision for Hong Kong profits tax is made in the accounts as the Group has no assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the condensed consolidated profit and loss account represents:

	Unaudited Six months ended 31st October	
	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries:		
Overseas taxation	<u>9</u>	<u>24</u>

6. DIVIDENDS

	Unaudited	
	Six months ended	
	31st October	
	2002	2001
	HK\$'000	HK\$'000
Preference dividend payable of HK\$0.151 per preference share on 2,549,990 preference shares (2001: HK\$0.151 on 2,549,990 preference shares)	385	385

Preference dividend at 6% per annum on the notional value of HK\$5 per preference share is to be payable half yearly on 30th June and 31st December in each year.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss absorbed by shareholders after preference dividend for the six months ended 31st October 2002 of approximately HK\$54,084,000 (six months ended 31st October 2001: HK\$104,525,000) and on the weighted average of 4,222,563,741 (2001: 3,691,506,435) ordinary shares in issue during the period.

The diluted loss per share for both periods is not shown as the effect was anti-dilutive.

8. JOINTLY CONTROLLED ENTITIES

	Unaudited	Audited
	As at	As at
	31st October	30th April
	2002	2002
	HK\$'000	HK\$'000
Share of net liabilities	(67,299)	(65,429)
Amounts due from jointly controlled entities	126,657	126,419
Amounts due to jointly controlled entities	(20)	(74)
	59,338	60,916

The Company has provided corporate guarantees to certain overseas banks in respect of credit facilities granted to its jointly controlled entities. The amount of these facilities drawn down was approximately HK\$160,155,000 as at 31st October 2002 (30th April 2002: HK\$160,155,000), which has been disclosed as part of the Group's contingent liabilities (Note 13).

9. TRADE AND OTHER RECEIVABLES

	Unaudited As at 31st October 2002 <i>HK\$'000</i>	Audited As at 30th April 2002 <i>HK\$'000</i>
Trade debtors	353	569
Other receivables	227	322
	<u>580</u>	<u>891</u>

The ageing analysis of trade debtors is as follows:

	Unaudited As at 31st October 2002 <i>HK\$'000</i>	Audited As at 30th April 2002 <i>HK\$'000</i>
0-3 months	353	151
Over 3 months	–	418
	<u>353</u>	<u>569</u>

The general credit terms ranging from 0 to 60 days.

10. TEMPORARY DEPOSITS, ACCOUNTS PAYABLE AND ACCRUALS

	Unaudited As at 31st October 2002 <i>HK\$'000</i>	Audited As at 30th April 2002 <i>HK\$'000</i>
Trade creditors	848	720
Temporary deposits, accruals and other payables	258,325	230,051
	<u>259,173</u>	<u>230,771</u>

The ageing analysis of trade creditors is as follows;

	Unaudited As at 31st October 2002 <i>HK\$'000</i>	Audited As at 30th April 2002 <i>HK\$'000</i>
0-3 months	363	140
Over 3 months	485	580
	<u>848</u>	<u>720</u>

11. SHARE CAPITAL

	Ordinary shares of HK\$0.025 each		6% Convertible cumulative redeemable preference shares of HK\$1 each		Total
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:					
At 30th April 2002 and at 31st October 2002	<u>6,800,000,000</u>	<u>170,000</u>	<u>100,000,000</u>	<u>100,000</u>	<u>270,000</u>
Issued and fully paid:					
At 30th April 2002 and at 31st October 2002	<u>4,222,563,741</u>	<u>105,564</u>	<u>2,549,990</u>	<u>2,550</u>	<u>108,114</u>

Please refer to Note 15 for details of a capital restructuring exercise under the Restructuring Proposal which was completed on 16th December 2002.

12. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these interim accounts, the significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Unaudited Six months ended 31st October	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Rental paid to an investee company	1,769	2,354
Consultancy fee received from jointly controlled entities	<u>200</u>	<u>1,200</u>

13. CONTINGENT LIABILITIES

	Unaudited 31st October 2002 <i>HK\$'000</i>	Audited 30th April 2002 <i>HK\$'000</i>
Guarantees have been given in respect of banking facilities made available to jointly controlled entities (an amount of HK\$160,155,000 was utilised as at 31st October 2002) (as at 30th April 2002: HK\$160,155,000)	<u>160,155</u>	<u>160,155</u>

Subsequent to the interim balance sheet date and upon completion of the Restructuring Proposal on 16th December 2002, these guarantees as related to the jointly controlled entities are discharged. Please see Note 15 below.

14. COMMITMENT UNDER OPERATING LEASE

At 31st October 2002, the Group's total future minimum lease payments under non-cancellable operating lease are payable as follows:

	Unaudited 31st October 2002 <i>HK\$'000</i>	Audited 30th April 2002 <i>HK\$'000</i>
Land and buildings		
– within one year	3,000	3,000
– after one and within five years	1,500	3,000
	4,500	6,000

Subsequent to the interim balance sheet date and upon completion of the Restructuring Proposal on 16th December 2002, this commitment is relieved. Please see Note 15 below.

15. POST BALANCE SHEET EVENTS

On 8th May 2002, the Company entered into a Restructuring Proposal as supplemented by a supplemental agreement dated 24th September 2002 with Perfect View, Mr. Cheung Yu Shum, Jenkin, the beneficial owner of Perfect View, and Yu Ming (on behalf of the steering committee formed pursuant to the standstill agreement dated 19th September 2001) which involves capital restructuring, debt restructuring, subscription of new shares and convertible notes by Perfect View, capitalization of loans, details of which was included in the circular of the Company dated 4th November 2002, and the brief details of which are set out below.

(i) Capital Restructuring

Capital Reduction

Under the capital reduction, the par value of the 4,222,563,741 issued shares was reduced from HK\$0.025 to HK\$0.00025 each. As a result, the Company's issued ordinary share capital of HK\$105,564,094 was reduced by HK\$104,508,453 to HK\$1,055,641. The entire credit balance of HK\$104,508,453 arising from the capital reduction was applied to reduce the accumulated losses of the Company.

Share Subdivision

Immediately upon the capital reduction became effective, the share subdivision took place under which each of the 2,577,436,259 unissued shares of HK\$0.025 each was subdivided into 100 unissued shares of HK\$0.00025 each and hence the total number of unissued shares became 257,743,625,900.

Share Consolidation

Immediately upon the capital reduction and the share subdivision became effective, the shares consolidation took place under which every 200 shares of HK\$0.00025 each was consolidated into one new share of par value of HK\$0.05. Accordingly, 4,222,563,741 issued shares of HK\$0.00025 each was consolidated into 21,112,819 new shares of par value of HK\$0.05 and 257,743,625,900 unissued shares of HK\$0.00025 each was consolidated into 1,288,718,130 unissued new shares.

Authorised Share Capital Increase

Immediately upon the share consolidation became effective, the increase of authorised share capital took place under which the Company increased its authorised ordinary share capital from HK\$65,491,547, comprising 21,112,819 issued new shares and 1,288,718,130 unissued new shares to HK\$200,000,000 divided into 4,000,000,000 new shares of par value of HK\$0.05 each.

15. POST BALANCE SHEET EVENTS (*Continued*)

(ii) Debt Restructuring

Under the Restructuring Proposal, all creditors, claims are subject to adjudication under the Hong Kong scheme of arrangement and the Bermuda scheme of arrangement which became effective and binding on all creditors when it was approved by the required majority of the creditors and sanctioned by the Hong Kong Court and the Bermuda Court respectively. Creditors with total claims of approximately HK\$1,609.1 million will receive a pro-rata share in the distribution of the following in satisfaction of their claims: (a) HK\$48 million in cash; (b) 40 million new shares issued and allotted by the Company at the par value of HK\$0.05 each, credited as fully paid; and (c) 40% of the net proceeds (after disposal, realisation, recovery costs and discharge of any security) from the disposal of all unencumbered assets of the Group within a period of eighteen months after completion of the Restructuring Proposal on 16th December 2002. The remaining 60% of the net proceeds will be retained by the Group.

(iii) Subscription and capitalization of Loans

Subscription

960 million new shares were subscribed, at the then par value of HK\$0.05 each, for HK\$48 million in cash, the proceeds of which was paid for settlement of the claims pursuant to the Restructuring Proposal.

Capitalisation of Loans

Perfect View advanced to the Company an interest free loan of HK\$9.6 million to cover the cost of the Restructuring Proposal and the Company's interim working capital. Upon completion of the Restructuring Proposal on 16th December 2002, the Company capitalised the entire balance of such loans by issuing 192 million new shares to Perfect View at the par value of HK\$0.05 each.

(iv) Convertible Notes

Convertible notes in the amount of HK\$20 million was subscribed by and issued to Perfect View. The convertible notes bear an annual interest of 2% and have a conversion price of \$ 0.05 per share (subject to adjustment,) matures on the third anniversary from the date of issue of the convertible notes.

On 29th October 2002, the schemes under the debt restructuring were approved by the creditors of the Company and on 27th November 2002, the transactions contemplated under the Restructuring Proposal was approved by the shareholders of the Company in a special general meeting.

The schemes were sanctioned by the Hong Kong Court on 28th November 2002 and by the Bermuda Court on 29th November 2002 respectively, and accordingly, the Restructuring Proposal was completed on 16th December 2002.