

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal accounting policies

Basis of preparation

The condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”). These interim financial statements also comply with the disclosure requirements set out in Appendix 16 of the Listing Rules.

The accounting policies, methods of computation and basis of preparation used in the preparation of the condensed interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements of the year ended 30th June 2002, except for the adoption of the following new/revised SSAP’s issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 2 (revised)	:	Net profit or loss for the period, fundamental errors and changes in accounting policies
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAPs has no material effect on these condensed consolidated financial statements.

2. Comparative figures

The financial information relating to the financial year ended 30th June 2002 included in the interim results does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts.

3. Segment Information

	Turnover		Results	
	Six months ended		Six months ended	
	31st December		31st December	
	2002	2001	2002	2001
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
By business activity:				
Property sales	71,170	–	4,028	–
Property rental	8,453	4,737	4,531	2,234
Estate management	719	747	719	747
Interest income	135	201	135	201
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>80,477</u>	<u>5,685</u>	9,413	3,182
Administrative and other operating expenses			<u>(4,981)</u>	<u>(4,649)</u>
Profit (Loss) from operations			<u>4,432</u>	<u>(1,467)</u>

4. Loss from ordinary activities before taxation

	Six months ended	
	31st December	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss from ordinary activities before taxation is stated after charging:		
(a) Other items		
Depreciation	281	215
Staff costs	1,275	1,534
Retirement scheme contributions	46	47
Cost of properties sold	67,142	–
	<u>67,142</u>	<u>–</u>
(b) Finance costs		
Interest on bank loans and overdrafts	4,265	7,393
Interest on advances from a related company	8,152	5,112
Other incidental borrowing costs	1,990	263
	<u>14,407</u>	<u>12,768</u>
Less: Borrowing costs capitalized in properties under development	(6,335)	(4,377)
	<u>(6,335)</u>	<u>(4,377)</u>
Finance costs charged to profit and loss account	<u>8,072</u>	<u>8,391</u>

5. Taxation

Hong Kong profits tax has not been provided as the Group has no assessable profit for the six months ended 31st December 2001 and 2002.

6. Loss per share

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$3,640,000 (2001: HK\$9,858,000) and 4,849,480,755 ordinary shares in issue during the period (2001: 3,232,987,170 shares).

Diluted loss per share has not been presented because the Company does not have any dilutive potential ordinary shares.

7. Interim Dividend

The directors do not recommend the payment of an interim dividend in respect of the period (2001: Nil).

8. Trade and other receivables

The Group maintains a controlled credit policy to minimize any credit risk associated with trade receivables.

Included in trade and other receivables are trade receivables with an age analysis as follows:

	At 31st December	At 30th June
	2002	2002
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 30 days	227	332
31-60 days	79	191
61-90 days	32	125
Over 90 days	515	83
	<hr/> 853 <hr/>	<hr/> 831 <hr/>

9. Trade and other payables

Included in trade and other payables are trade payables with an age analysis as follows:

	At 31st December	At 30th June
	2002	2002
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Less than 30 days	–	14,827
31-60 days	–	50
Over 90 days	5,282	1,725
	<u>5,282</u>	<u>16,602</u>
	<u><u>5,282</u></u>	<u><u>16,602</u></u>

10. Share capital

	(Unaudited)	(Unaudited)
	No. of shares	HK\$'000
Authorised		
Ordinary shares of HK\$0.001 each		
At 31st December 2002 and		
30th June 2002	<u>1,000,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.001 each		
At 31st December 2002 and		
30th June 2002	<u>4,849,480,755</u>	<u>4,849</u>

No changes in the issued share capital of the Company took place during the period.

11. Analysis of cash and cash equivalents

	At 31st December 2002 (Unaudited) HK\$'000	At 31st December 2001 (Unaudited) HK\$'000
Bank balances and cash	3,140	1,313
Bank overdraft	(388)	(16,881)
	<u>2,752</u>	<u>(15,568)</u>

12. Capital commitments

	At 31st December 2002 (Unaudited) HK\$'000	At 30th June 2002 (Audited) HK\$'000
Capital commitments in respect of properties under development		
Authorised but not contracted for	251,200	273,785
Contracted but not provided for	29,267	10,259
	<u>280,467</u>	<u>284,044</u>

13. Contingent Liabilities

- (a) At 31st December 2002, there was a claim of HK\$7,004,000 (30th June 2002: HK\$7,004,000) against a subsidiary by a contractor for additional costs incurred in the development of the subsidiary's freehold land and building. The subsidiary is counter claiming liquidated and ascertained damages from the contractor for delay in completion and defective work totaling HK\$14,894,000 (30th June 2002: HK\$14,894,000). The case is pending arbitration. It is the Directors' opinion that no provision is required for such claim.
- (b) The Company has given corporate guarantees to banks in respect of banking facilities granted to subsidiaries to the extent of HK\$470,000,000 (30th June 2002: HK\$524,600,000) of which HK\$278,488,000 (30th June 2002: HK\$303,632,000) was utilized as at 31st December 2002.

14. Related party transactions

Certain related party transactions were carried out in the ordinary course of the business as follows:

	Six months ended	
	31st December	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest paid to Cecil Chao & Associates Limited (a)	8,152	5,112
Fees paid to Cecil Chao & Associates Limited (b)		
– building management fee	900	1,350
– architect and other professional service fees	120	120
Proceeds from sales of properties to Lucky Faith Properties Limited (c)	<u>23,000</u>	<u>–</u>

- (a) Cecil Chao & Associates Limited (“CCAL”) has provided unsecured advances, which have no fixed terms of repayment, to the Group at 2% (2001: 2%) above the Hong Kong dollar prime rate. At 31st December 2002, the advances from CCAL amounted to HK\$227,616,000 (30th June 2002: HK\$229,903,000). CCAL has confirmed that it will not request repayment of these advances until such time as the Group is in a position to repay. Mr. Cecil Chao Sze-Tsung, is a director and beneficial owner of CCAL. Mr. Tang Wing-Hong, a director of the Company, is a director of CCAL.
- (b) CCAL rendered architectural and related services to the Group on terms agreed between both parties.
- (c) On 18th April 2000, certain properties were pre-sold to a related company, Lucky Faith Properties Limited (“Lucky Faith”), for a consideration of HK\$23,000,000. The sale of these properties had been completed since then.

Lucky Faith is wholly-owned by Mrs. Chao Nyi Ya Tsung, the mother of Mr. Cecil Chao Sze-Tsung.