

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For six months ended 30 June 2003***1. BASIS OF PREPARATION**

The Interim Financial Report has been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants and with the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies, methods of computation and basis of preparation used in the preparation of these Interim Financial Statements are consistent with those used in Group's Annual Financial Statements for the year ended 31 December 2002. The change in the Group's accounting policy and the effect of adopting this new policy is set out below.

SSAP 12 (revised) : Income Tax

The adoption of the above standards does not have material impact on amounts reported in prior period and certain comparative figures of the condensed consolidated income statement have been reclassified to conform with the current period presentation.

**2. SEGMENTAL INFORMATION**

	Six months ended 30 June					
	2003			2002		
	External customers (Unaudited) HK\$'000	Inter-segment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	External customers (Unaudited) HK\$'000	Inter-segment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Segment revenue</b>						
Property development	60	—	60	—	—	—
Property leasing	42,893	1,703	44,596	50,919	1,803	52,722
Building management services	4,124	—	4,124	21,866	—	21,866
Others	3,891	703	4,594	1,542	577	2,119
Elimination	—	(2,406)	(2,406)	—	(2,380)	(2,380)
	<b>50,968</b>	<b>—</b>	<b>50,968</b>	<b>74,327</b>	<b>—</b>	<b>74,327</b>

## 2. SEGMENTAL INFORMATION *(Continued)*

	Segment result		Contribution from operation	
	Six months ended 30 June		Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Property development	(51)	—	(51)	—
Property leasing	42,538	49,610	41,538	48,384
Building management services	3,108	4,233	3,108	4,233
Others	(8,121)	(105,665)	(7,103)	(104,740)
Unallocation	—	—	7,025	769
	<b>37,474</b>	<b>(51,822)</b>	<b>44,517</b>	<b>(51,354)</b>

All the Group's business segment operations were carried out in Hong Kong.

## 3. OTHER REVENUE

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest income	7	—
Disposal of subsidiary income	50	—
Miscellaneous income	10,540	723
	<b>10,597</b>	<b>723</b>

## 4. PROFIT/(LOSS) FROM OPERATION

Profit/(loss) from operation is arrived at after changing:

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	731	886
Staff cost (including directors' remuneration)	6,263	7,676
Amortisation of goodwill	99	4,159
Impairment of goodwill	—	80,000

## 5. FINANCE COSTS

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	17,218	30,364
Interest on other borrowings wholly repayable within five years	13,290	18,299
	<b>30,508</b>	<b>48,663</b>

## 6. GAIN ON DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

There is no material acquisition and disposal of subsidiary and associated companies during the six months ended 30 June 2003 period.

## 7. TAXATION

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Hong Kong taxation	—	105

Hong Kong profits tax has not been provided as the Group incurred losses for taxation purposes for the period.

## 8. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend in respect of the period. (2002: Nil)

## 9. PROFIT/(LOSS) PER SHARE

The calculation of basic and diluted profit per share are based on the unaudited consolidated profit attributable to shareholders of HK\$14,179,000 for the period (30 June 2002: loss of HK\$95,102,000).

The basic profit per share is based on the weighted average of 62,328,043 shares (30 June 2002: 3,116,402,151 shares) in issue during the six months ended 30 June 2003.

The diluted profit per share is based on 62,328,043 shares (30 June 2002: 3,116,402,151 shares) which is the weighted average number of shares in issue during the six months ended 30 June 2003 plus the weighted average of 1,464,000 shares (30 June 2002: 49,500,000 shares) deemed to be issued if all outstanding share options granted under the share option schemes of the Company were exercised.

No diluted loss per share has been calculated for the corresponding period ended 30 June 2002 because the conversion/exercise of the outstanding potential ordinary shares would have been anti-dilutive for the period.

## 10. DEBTORS, PREPAYMENTS AND DEPOSITS

### (a) Ageing analysis of the trade receivables

The Group maintains a controlled credit policy. The ageing analysis of the trade receivables as at the balance sheet date is as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
0-30 days	2,053	1,911
31-90 days	1,370	951
After 90 days but within one year	2,803	3,214
	<b>6,226</b>	<b>6,076</b>

**10. DEBTORS, PREPAYMENTS AND DEPOSITS** *(Continued)*

- (b) The deposit of HK\$5,000,000 (the "Deposit") was originally paid by a wholly owned subsidiary of the Company (the "Subsidiary") in the course of the development of certain properties in Yuen Long, New Territories. The other parties (the "Defaulting Parties") of such development were in default and the Deposit was repayable. The Deposit became a debt owing to the Subsidiary. Enforcement proceedings were proceeded during the period.

**11. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED**

All the trade payables of HK\$10,200,000 (31 December 2002: HK\$14,556,000) were within 30 days as at the balance sheet date.

**12. BORROWINGS**

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Loans		
Bank loans — secured	1,059,540	1,075,546
Other loans	121,529	78,744
Amount due to ultimate holding company	258,166	250,978
	<b>1,439,235</b>	1,405,268
Obligations under finance leases	95	107
	<b>1,439,330</b>	1,405,375
Less: Current portion due within one year included under current liabilities	<b>(32,100)</b>	(29,241)
<b>Non-current portion</b>	<b>1,407,230</b>	1,376,134

## 12. BORROWINGS *(Continued)*

As at 30 June 2003, borrowings were repayable as follows:

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
Within 1 year or on demand	<b>32,063</b>	29,212
After 1 year but within 2 years	<b>437,986</b>	443,852
After 2 year but within 5 years	<b>969,186</b>	932,204
	<b>1,407,172</b>	1,376,056
	<b>1,439,235</b>	1,405,268

## 13. SHARE CAPITAL

	<b>30 June 2003 (Unaudited) HK\$'000</b>	31 December 2002 (Audited) HK\$'000
<i>Authorized:</i>		
5,000,000,000 (2002: 50,000,000,000) ordinary shares of HK\$0.10 (2002: HK\$0.01) each	<b>500,000</b>	500,000
<i>Issued and fully paid:</i>		
62,328,043 (2002: 3,116,402,151) ordinary shares of HK\$0.10 (2002: HK\$0.01) each	<b>6,233</b>	31,164

Pursuant to a special resolution passed on 4 April 2003:

- (a) every 50 issued ordinary shares of HK\$0.01 each was consolidated into one issued ordinary share of HK\$0.50 each (the "Issued Share Consolidation");



**13. SHARE CAPITAL** *(Continued)*

- (b) following the Issued Share Consolidation, the paid up capital and per value of the issued ordinary shares was reduced from HK\$0.50 to HK\$0.10 (the "Capital Reduction");
- (c) following the Capital Reduction, every 10 authorized but unissued shares of HK\$0.01 each was consolidated into one authorized but unissued ordinary share of HK\$0.10 each.

**14. ANALYSIS OF CASH AND CASH EQUIVALENTS**

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Bank balance and cash	49,523	6,940

**15. RELATED PARTY TRANSACTIONS**

The following transactions with related parties were carried out in the ordinary course of business during the six months ended 30 June 2003:

- (a) On 25 March 2003, the unsecured loan facility with a principal amount of HK\$214,756,164.38 originally granted by Ko Bee Limited, the controlling shareholder of the Company on 21 November 2000 was renewed and extended until 24 March 2005 on the same principal terms and conditions;
- (b) On 27 May 2003, a related party in associate with the chairman of the Company advanced to a wholly owned subsidiary of the Company an unsecured revolving credit facility up to a maximum total principal amount of HK\$50,000,000.00 with interest rate at prime lending rate for Hong Kong dollars plus 2% per annum. The final maturity date is on 26 May 2006;
- (c) On 1 January 2003, a wholly owned subsidiary of the Company entered into a tenancy agreement with a related party in associate with the chairman of the Company for leasing a property situated at Guangzhou, PRC for office purpose at monthly rental and management charge at HK\$73,912.36 for a period of 12 months from 1 January 2003 until 31 December 2003.

## 16. POST BALANCE SHEET EVENT

It was announced on 30 July 2003 that a bonus issue of warrants will be made on the following principal terms:

1. Basis of Bonus Warrant Issue : One Warrant for every five existing shares held by the shareholders (except overseas Shareholders)
2. Record Date : 26 August 2003
3. Subscription Price : HK\$2.00 (subject to adjustment)
4. Subscription Period : From 3 September 2003 to 2 March 2006 (both days inclusive)