

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited condensed interim financial statements as of 30 June 2003 and for the six months period then ended comprise the consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereto, all of which are in condensed format. The condensed interim financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties and investments securities. The condensed interim financial statements are prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

These condensed interim financial statements should be read in conjunction with the Group annual financial statements for the year ended 31 December 2002 ("2002 annual financial statements"). As mentioned in note 1 to the 2002 annual financial statements, the financial statements have been prepared on a going concern basis.

The accounting policies and methods of computation used in the preparation of the condensed interim financial statements are consistent with those used in the 2002 annual financial statements except that the Group has adopted the new SSAP 12: Income Taxes, issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. The new SSAP 12 has been applied retrospectively but the adoption of this new SSAP has no material effect on the Group's prior year financial statements.

### 2. Turnover

Turnover in the current and last year's period represented the rental income accrued in accordance with the tenancy agreements.

### 3. Segment information

The Group is principally engaged in property holding and investment and no other business segment accounted for more than 10% of the Group's turnover and trading results and also all significant identifiable assets of the Group are located in Hong Kong. Accordingly, no segmental analysis is presented.

### 4. Depreciation

During the period, depreciation of HK\$153,000 (six months ended 30 June 2002: HK\$400,000) was charged in respect of the Group's property, plant and equipment.

**5. Taxation**

	<b>Six months ended</b>	
	<b>30/6/2003</b>	30/6/2002
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Underprovision in respect of prior year	<b>0</b>	<b>8</b>
	<b>0</b>	<b>8</b>

**6. Dividends**

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2003 (six months ended 30 June 2002: Nil).

**7. Loss per share**

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$14,753,000 (six months ended 30 June 2002: HK\$82,733,000) and the weighted average of 307,101,392 (six months ended 30 June 2002 as restated: 289,141,377) ordinary shares in issue during the period. The calculation of the basic loss per share for the period ended 30 June 2002 has been adjusted retrospectively to reflect the decrease in the number of shares outstanding as a result of the consolidation of shares in November 2002.

There were no dilutive potential ordinary shares in existence in both period ended 30 June 2003 and 2002.

**8. Additions to property, plant and equipment**

During the period, the Group spent HK\$ Nil (six months ended 30 June 2002: HK\$59,000) on additions to property, plant and equipment.

**9. Trade and other receivables**

The majority of the Group's turnover is rental income. The payment terms of rental income are in accordance with the tenancy agreements and the payments are normally due on the first day of the month. At 30 June 2003, the ageing analysis of the trade receivables was as follows:

	<b>30/6/2003</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2002 (audited) HK\$'000
0 — 60 days	<b>0</b>	135
61 — 90 days	<b>1</b>	0
> 90 days	<b>23</b>	27
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Total trade receivables	<b>24</b>	162
Other receivables	<b>19,858</b>	19,858
Deposits and prepayments	<b>736</b>	667
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	<b>20,618</b>	20,687
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**10. Trade and other payables**

At 30 June 2003, the ageing analysis of the trade payables was as follows:

	<b>30/6/2003</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2002 (audited) HK\$'000
0 — 60 days	<b>204</b>	142
61 — 90 days	<b>35</b>	45
> 90 days	<b>1,431</b>	1,201
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Total trade payable	<b>1,670</b>	1,388
Other payables and accruals	<b>102,858</b>	89,074
Rental deposits received	<b>881</b>	875
Due to directors	<b>6,062</b>	8,051
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	<b>111,471</b>	99,388
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**11. Share capital**

During the current reporting period, the Company issued and allotted a total of 60,000,000 shares at par of HK\$0.1 per share through private placement (last reporting period as restated: 13,650,000 shares at HK\$2.5 per share).

**12. Commitments**

At the reporting date, the Group had outstanding commitments payable in the following years under non-cancellable operating leases in respect of:

	<b>30/6/2003 (unaudited) HK\$'000</b>	31/12/2002 (audited) HK\$'000
Land and building which expire:		
Within one year	<b>204</b>	210
In the second to fifth years inclusive	—	123
	<b>204</b>	333

**13. Post balance sheet event**

The Group had executed a settlement deed with a bank on 16 June 2003 for the payment of HK\$1,800,000 as a final and full settlement of the outstanding indebtedness of approximately HK\$14,908,000 as at 30 June 2003. The deed became unconditionally upon the payment of the said HK\$1,800,000 by the Group on 15 August 2003. The Group had executed a settlement deed with another bank on 19 September 2003 for the payment of HK\$2,000,000 and the transfer to the bank of the proceeds to be derived on the future disposal of two properties of not less than HK\$13,000,000 as a final and full settlement of the outstanding indebtedness of approximately HK\$22,189,000 as at 30 June 2003.

**14. Comparative figures**

Certain comparative figures have been reclassified to conform with the presentation of the current period.