

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and should be read in conjunction with the 2002 annual financial statements.

2. Accounting policy and comparative figures

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The accounting policies and methods of computation used in the preparation of these unaudited condensed financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December, 2002, except that the Group has adopted the revised Statement of Standard Accounting Practice (“SSAP”) 12 “Income Taxes” issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group’s accounting policies and the effect of adopting this revised standard is set out below:

During the period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of the revised standard is in relation to deferred tax. It requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has resulted in a decrease in accumulated losses of HK\$2,401,000 as at 1st January, 2002. (A decrease in accumulated losses of HK\$3,373,000 as at 1st January, 2001). Certain comparative figures for the prior period have been restated to conform with the current period’s presentation.

3. Business and geographical segments

Business segments

	Securities investment		Property development and investment		Entertainment and leisure		Industrial		Eliminations		Consolidated	
	Six months ended 30th June (unaudited and restated)											
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
TURNOVER												
External sales	3,158	2,894	5,012	7,028	207	7,192	35,215	30,482	-	-	43,592	47,596
Inter-segment sales	-	-	-	-	-	823	-	-	-	(823)	-	-
Total turnover	<u>3,158</u>	<u>2,894</u>	<u>5,012</u>	<u>7,028</u>	<u>207</u>	<u>8,015</u>	<u>35,215</u>	<u>30,482</u>	<u>-</u>	<u>(823)</u>	<u>43,592</u>	<u>47,596</u>

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment results	<u>(6,239)</u>	<u>(2,039)</u>	<u>2,549</u>	<u>5,691</u>	<u>(965)</u>	<u>(95,145)</u>	<u>944</u>	<u>1,233</u>	<u>-</u>	<u>-</u>	<u>(3,711)</u>	<u>(90,260)</u>
Other operating income	2,078	1,540	15	41	14	2,538	113	25			<u>2,220</u>	<u>4,144</u>
Loss from operations after impairment loss on the interest in leisure - entertainment complex											<u>(1,491)</u>	<u>(86,116)</u>
Gain on deemed disposal of partial interest in an associate	-	-	-	-	-	-	3,278	-			<u>3,278</u>	<u>-</u>
Finance costs											<u>(3,334)</u>	<u>(6,336)</u>
Share of results of an associate	-	-	-	-	-	-	2,672	-			<u>2,672</u>	<u>-</u>
Share of results of a jointly controlled entity	-	-	-	-	110	59	-	-			<u>110</u>	<u>59</u>
Profit (loss) before taxation											<u>1,235</u>	<u>(92,393)</u>
Taxation											<u>(651)</u>	<u>(1,235)</u>
Profit (loss) after taxation											<u><u>584</u></u>	<u><u>(93,628)</u></u>

3. Business and geographical segments (Continued)

Geographical segments

	Sales revenue by geographical market	
	Six months ended	
	30/6/2003 (unaudited) HK\$'000	30/6/2002 (unaudited) HK\$'000
Hong Kong	4,134	13,547
Malaysia	–	4,798
Singapore	4,042	8,016
PRC	12,186	10,317
Japan	23,230	10,918
	<u>43,592</u>	<u>47,596</u>

4. Staff expenses & depreciation

During the period, the Group's staff expenses of approximately HK\$5.8 million (six months ended 30th June, 2002: HK\$6.6 million) was charged.

During the period, depreciation of approximately HK\$2.5 million (six months ended 30th June, 2002: HK\$6.2 million) was charged in respect of the Group's property, plant and equipment.

5. Impairment loss on property, plant and equipment

During the period, there was no impairment loss on property, plant and equipment recognised. (For the six months ended 30th June, 2002, the directors had assessed the recoverable amount of the investment in RFC Far East Cafe Pte. Ltd. and in view of the continuing operating loss incurred in this company, an impairment loss on property, plant & equipment of HK\$17,945,000 was recognised during the period in respect of leasehold improvement of HK\$17,324,000 & electrical and other equipment of HK\$621,000 which were used in Rainforest Cafe. Rainforest Cafe operation ceased in Singapore in August, 2002.)

6. Impairment loss on interest in leisure-entertainment complex

During the period, there was no impairment loss on interest in leisure-entertainment complex recognised. (For the six months ended 30th June, 2002, the directors had assessed the net realisable value and recoverable amount on the Group's interest in leisure-entertainment complex the continuing operation of which was not able to generate positive cash flows to the Group in future. As it is unlikely that the Group's interest in leisure-entertainment complex was expected to be recoverable, an impairment loss of HK\$68,500,000 was recognised on interest in leisure-entertainment complex.)

7. Gain on deemed disposal of partial interest in an associate

After the listing of Chinasoft International Limited (8216) on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 20th June, 2003, Chinasoft International Limited allotted 160,000,000 new shares at placing price of HK\$0.32 to the public, resulting in the dilution of the Company's shareholding in Chinasoft International Limited from 36.85% to 27.64%. Accordingly, the Company shares a gain on deemed disposal of partial interest in an associate of HK\$3,278,000 for the period ended 30th June, 2003 (six months ended 30th June, 2002: HK\$Nil).

8. Taxation

	Six months ended	
	30/6/2003	30/6/2002
	(unaudited)	(unaudited and restated)
	HK\$'000	HK\$'000
The charge comprises:		
Deferred tax	(292)	(649)
Current tax		
The Company and subsidiaries		
Profit Tax for the period		
Overseas	(131)	(586)
Share of taxation attributable to associates	(228)	–
	(651)	(1,235)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit during the period (six months ended 30th June, 2002: 16%). Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

9. Dividends

The Directors have resolved not to declare an interim dividend for the six months ended 30th June, 2003 (six months ended 30th June, 2002: HK\$Nil).

10. Profit (loss) per share

The calculation of basic profit (loss) per share is based on the profit for the period of HK\$226,000 (six months ended 30th June, 2002: (restated) loss of HK\$92,596,000) and on 331,668,905 (six months ended 30th June, 2002: 331,668,905) ordinary shares in issue during the period. As there was no dilutive potential ordinary share for the period ended 30th June, 2003, no diluted profit per share was presented.

11. Leisure-entertainment complex

	THE GROUP	
	30/6/2003 (unaudited) HK\$'000	31/12/2002 (audited) HK\$'000
At 1st January	68,500	137,000
Less: Impairment loss recognised (<i>note 6</i>)	–	(68,500)
	<hr/>	<hr/>
At 30th June, 31st December	68,500	68,500
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In 1994, the Group entered into a building agreement with Singapore Leisure Industries Pte. Ltd. (“SLI”) under which the Group would construct on land owned by SLI the building structure of a leisure-entertainment complex, known as the “Tang Dynasty City”, in exchange for a 30 years lease to operate the leisure-entertainment complex.

In 1996, the Group entered into a sale and purchase agreement with Admiralty Leisure Pte. Ltd. (“AL”) to sell in three phases its interests in the building agreement in respect of the leisure-entertainment complex. At this time, a new building agreement with precisely the same terms, was entered into between AL and SLI. Then in 1997, the Group entered into a deed of assignment with AL whereby AL agreed to assign to the Group, in certain circumstances, all the rights, benefits and advantages in connection with the interest in building agreement and leisure-entertainment complex.

In 2000, the Group completed the final sale to AL for a net receivable of HK\$137 million resulting in the recognition of an impairment loss of HK\$153,576,789.

In 2001, AL was put into liquidation. Under the terms of the deed of assignment referred to above, the failure of AL to repay the receivable to the Group, constituted a circumstance triggering the assignment of the interests in the building agreement and the leisure-entertainment complex to the Group. Such interest had accordingly, been included in the Group’s balance sheet as at 31st December, 2001 at an amount equal to the net consideration of HK\$137 million.

Following the liquidation of AL, the leisure-entertainment complex was handed back to SLI under a court order. Against this background, the directors negotiated with SLI the terms of a revised building agreement, and in particular, regarding the usage of the leisure-entertainment complex and the lease term.

In 2002, the directors had assessed the net realisable value and recoverable amount on the Group’s interest in leisure-entertainment complex. As at 31st December, 2002, the directors were of the opinion that the Group’s interest in leisure-entertainment complex was worth at least its remaining carrying amount of HK\$68,500,000. Accordingly, an impairment loss of HK\$68,500,000 had been charged to the income statement.

12. Additions to property, plant and equipment

The Group spends approximately HK\$2,103,000 during the period (for the year ended 31st December 2002: HK\$1,791,000) of which HK\$Nil (for the year ended 31st December, 2002: HK\$172,000) on additions to land and building in the PRC held under medium term lease; HK\$2,048,000 (for the year ended 31st December, 2002: HK\$Nil) on construction in progress; HK\$Nil (for the year ended 31st December, 2002: HK\$41,000) on golf resort complex in overseas held under freehold land; HK\$55,000 (for the year ended 31st December, 2002: HK\$973,000) on lifts electrical and other equipment; HK\$Nil (for the year ended 31st December, 2002: HK\$150,000) on exhibits display items, furniture, fittings and costumes; HK\$Nil (for the year ended 31st December, 2002: HK\$452,000) on trams, coaches and motor vehicles.

13. Trade and other receivables

For sales of goods, the Group has a policy of allowing an average credit period of 30-90 days to its trade customers. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The aged analysis of the trade receivables at the reporting date is as follows:

	THE GROUP	
	30/6/2003	31/12/2002
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	7,170	8,135
31 – 60 days	516	1,135
61 – 90 days	2,080	432
Over 90 days	4,600	4,962
	<hr/>	<hr/>
Total trade receivables	14,366	14,664
Other receivables	13,229	13,603
	<hr/>	<hr/>
	27,595	28,267
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14. Trade and other payables

The aged analysis of the trade payables at the reporting date is as follows:

	THE GROUP	
	30/6/2003	31/12/2002
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	705	1,902
31 – 60 days	705	1,245
61 – 90 days	854	661
Over 90 days	16,393	14,126
	<hr/>	<hr/>
Total trade payables	18,657	17,934
Other payables	40,865	36,546
	<hr/>	<hr/>
	59,522	54,480
	<hr/> <hr/>	<hr/> <hr/>

15. Bank and other borrowings

	THE GROUP	
	30/6/2003	31/12/2002
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Bank overdrafts	172	–
Bank loans	147,164	149,127
Other loans	1,800	4,554
	<u>149,136</u>	<u>153,681</u>
	<u><u>149,136</u></u>	<u><u>153,681</u></u>
Secured	146,102	150,567
Unsecured	3,034	3,114
	<u>149,136</u>	<u>153,681</u>
	<u><u>149,136</u></u>	<u><u>153,681</u></u>
The maturity of the bank loans and overdrafts is as below:		
Within one year	144,061	146,168
More than one year, but not exceeding two years	2,400	4,800
More than two years, but not exceeding five years	2,675	2,713
	<u>149,136</u>	<u>153,681</u>
Amounts due within one year shown under current liabilities	<u>(144,061)</u>	<u>(146,168)</u>
Amounts due after one year	<u><u>5,075</u></u>	<u><u>7,513</u></u>

16. Share capital

	Number of ordinary shares of HK\$1 each (in thousand)	Nominal value HK\$'000
<i>Authorised:</i>		
At 1st January, 2002, 31st December, 2002, 1st January, 2003 and 30th June 2003	<u>700,000</u>	<u>700,000</u>
<i>Issued and fully paid:</i>		
At 1st January, 2002, 31st December, 2002, 1st January, 2003 and 30th June, 2003	<u>331,669</u>	<u>331,669</u>

There was no movement in the authorised, issued and fully paid share capital of the Company in the current interim reporting period.

17. Pledge of assets

At the reporting date:

- (a) banking facilities to the extent of approximately HK\$50 million (31st December, 2002: HK\$50 million) of which HK\$18.6 million (31st December, 2002: HK\$22 million) were utilised, are secured by the legal mortgage of certain of the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$45.6 million (31st December, 2002: HK\$45.6 million);
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$3.5 million (31st December, 2002: HK\$5.9 million) of which HK\$1.8 million (31st December, 2002: HK\$4.6 million) were utilised, are secured by the Group's listed investments of approximately HK\$9 million (31st December, 2002: HK\$17 million);
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$9.9 million (31st December, 2002: HK\$6.2 million) of which was all unutilised, (31st December, 2002: all unutilised), are secured by time deposits held by the Group of approximately HK\$10.5 million (31st December, 2002: HK\$6.6 million);
- (d) overdraft and revolving loan facilities to the extent of approximately HK\$9.9 million (31st December, 2002: HK\$40 million) of HK\$8.9 million which was utilised, (31st December, 2002: 5 million), are secured by a floating charge over all the asset of the Company.

17. Pledge of assets (Continued)

- (e) banking facilities to the extent of approximately HK\$113.2 million (31st December, 2002: HK\$115.5 million) of which HK\$113 million (31st December, 2002: HK\$115.4 million) were utilised, are secured by:
- (i) Group's investment properties in Singapore with an aggregate net book value of approximately HK\$163.2 million (31st December, 2002: HK\$164.5 million); and
- (ii) severally guaranteed by the Company and a director of the Company.

18. Contingent liabilities

At the reporting date, there were contingent liabilities, so far as not provided for in the financial statements as follows:

	THE GROUP		THE COMPANY	
	30/6/2003 (unaudited) HK\$'000	31/12/2002 (audited) HK\$'000	30/6/2003 (unaudited) HK\$'000	31/12/2002 (audited) HK\$'000
Guarantees given to bank, in respect of banking facilities utilised by subsidiaries	—	—	<u>130,944</u>	<u>130,944</u>

19. Operating lease commitments

At the reporting date, the Group and the Company had no commitments under operating leases (31/12/2002: HK\$ Nil).

20. Capital commitments

At the reporting date, there were outstanding capital commitments authorised and contracted for, but not provided for in the financial statements in respect of:

	THE GROUP		THE COMPANY	
	30/6/2003 (unaudited) HK\$'000	31/12/2002 (audited) HK\$'000	30/6/2003 (unaudited) HK\$'000	31/12/2002 (audited) HK\$'000
Contribution to capital investment	—	—	<u>9,678</u>	<u>9,678</u>

At the reporting date, the Group and the Company has no capital expenditure that has been authorised but not contracted for.