

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed accounts should be read in conjunction with the 2003 annual report.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 “Income taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Consolidated Statement of Changes in Equity, opening equity at 1st April 2002 and 2003 have been reduced by HK\$10,445,000 and HK\$3,658,000 respectively which represent additional provision for deferred tax liabilities resulted from the change of accounting policy. This change has resulted in an increase in deferred tax liabilities at 31st March 2003 by HK\$1,030,000 and decrease in investments in associated companies at 31st March 2003 by HK\$2,628,000. The net profit for the six months ended 30th September 2002 has been reduced by HK\$132,000.

2. Revenues and turnover

The Group is principally engaged in property development and investment, securities investment and trading and investment holding. Revenues recognised during the period are as follows:

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Sale of property interests	16,380	115,490
Rental income	40,566	39,931
Proceeds from securities trading	—	737
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Turnover	56,946	156,158
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Interest income	5,333	9,278
Other income	1,653	3,397
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Other revenues	6,986	12,675
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Total revenues	63,932	168,833
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(a) Primary reporting format – business segments

The Group is organised into three main business segments:

- Property rental
- Property development
- Securities investment and trading

Other operations of the Group comprise mainly hotel ownership which is undertaken by certain associated companies.

There are no sales or other transactions between the business segments.

Six months ended 30th September 2003	Property rental HK\$'000	Property development HK\$'000	Securities investment and trading HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Turnover	<u>40,566</u>	<u>16,380</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>56,946</u>
Segment results	<u>32,391</u>	<u>3,356</u>	<u>42</u>	<u>–</u>	<u>–</u>	<u>35,789</u>
Unallocated corporate expenses (net)	–	–	–	–	(14,254)	(14,254)
Reorganisation costs	–	–	–	–	(38,419)	(38,419)
						(16,884)
Interest income	–	–	–	–	5,333	5,333
Finance costs	–	–	–	–	(8,446)	(8,446)
Share of results of associated companies	–	(23)	–	(8,541)	–	(8,564)
Loss before taxation						(28,561)
Taxation	–	–	–	–	(2,047)	(2,047)
Loss after taxation						(30,608)
Minority interests	–	(1,474)	–	–	–	(1,474)
Loss attributable to shareholders						<u>(32,082)</u>
Six months ended 30th September 2002						
Turnover	<u>39,931</u>	<u>115,490</u>	<u>737</u>	<u>–</u>	<u>–</u>	<u>156,158</u>
Segment results	<u>39,099</u>	<u>27,498</u>	<u>(705)</u>	<u>–</u>	<u>–</u>	<u>65,892</u>
Unallocated corporate expenses (net)	–	–	–	–	(15,798)	(15,798)
						50,094
Interest income	–	–	–	–	9,278	9,278
Finance costs	–	–	–	–	(11,775)	(11,775)
Share of results of associated companies	–	(17,514)	–	15,928	–	(1,586)
Profit before taxation						46,011
Taxation	–	–	–	–	(2,276)	(2,276)
Profit after taxation						43,735
Minority interests	–	(12,533)	–	–	–	(12,533)
Profit attributable to shareholders						<u>31,202</u>

- (b) No geographical analysis is provided as less than 10% of the consolidated turnover and less than 10% of the consolidated (loss)/profit from operations of the Group are attributable to markets outside Hong Kong.

3. (Loss)/profit from operations

(Loss)/profit from operations is stated after charging the following:

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
<u>Charging</u>		
Staff costs	5,731	7,774
Depreciation of fixed assets	385	854
Loss on disposal of fixed assets	—	27
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4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period. Taxation on overseas profit 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 consolidated profit and loss account represents:

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000 (Restated)
Hong Kong profits tax		
– current	1,537	1,200
Deferred tax	698	479
Overseas taxation		
– under provision in prior years	7	61
	<u> </u>	<u> </u>
	2,242	1,740
Share of taxation attributable to associated companies	(195)	536
	<u> </u>	<u> </u>
	<u>2,047</u>	<u>2,276</u>

5. Dividends – Group

	Six months ended 30th September	
	2003	2002
	HK\$'000	HK\$'000
Special dividend	<u>1,187,024</u>	<u> </u>

The special dividend by way of distribution in specie represents the Group's share of the net assets of Besteam Limited and its subsidiaries at the date of distribution.

6. (Loss)/earnings per share

The calculations of the basic (loss)/earnings per share are based on the following data:

	Six months ended 30th September 2003 HK\$'000	2002 HK\$'000 (Restated)
(Loss)/earnings		
(Loss)/earnings for the purpose of the calculation of basic (loss)/earnings per share	<u>(32,082)</u>	<u>31,202</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of the calculation of basic (loss)/earnings per share	<u>1,286,482,836</u>	<u>1,286,482,836</u>

The diluted (loss)/earnings per share for the six months ended 30th September 2003 and 2002 have not been shown as all outstanding share options were cancelled in June 2003 and had no dilutive effect on the earnings per share for the period respectively.

7. Accounts receivable, deposits and prepayments

Included in accounts receivable as at 30th September 2003 is an amount of approximately HK\$101 million which represents a loan to an independent third party. The loan was secured, interest bearing and had been fully repaid as at the date of this report.

At 31st March 2003, there was a loan receivable of approximately HK\$114 million. As at 30th September 2003 this loan has been excluded from the Group as a result of the Group reorganisation.

At 30th September 2003, rental receivable including related interests amounted to HK\$3,373,000 (31st March 2003: HK\$5,816,000) and the ageing analysis was as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Current	2,091	3,057
31 – 60 days	1,062	2,101
61 – 90 days	18	497
Over 90 days	<u>202</u>	<u>161</u>
	<u>3,373</u>	<u>5,816</u>

8. Accounts payable, deposits received and accrued charges

Included in the accounts payable, deposits received and accrued charges are rental deposits, construction costs payable and accruals.

Rental deposits amounting to HK\$16,095,000 (31st March 2003: HK\$16,336,000) are repayable when the tenancy contracts lapse.

At 30th September 2003, the ageing analysis of the construction costs payable was as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Current	—	17,446
31 – 60 days	—	4,886
61 – 90 days	—	159
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	—	22,491
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9. Bank loans

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Secured bank loans		
– current portion	52,000	49,882
– long term portion	610,000	844,207
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	662,000	894,089
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At 30th September 2003, the Group's bank loans were repayable as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
On demand or within one year	52,000	49,882
More than one year but not exceeding two years	60,000	259,636
More than two years but not exceeding five years	235,000	222,987
Over five years	315,000	361,584
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	662,000	894,089
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The above bank loans were secured by first charges on an investment property and other specified assets of the Group and corporate guarantee from the Company.

10. Share capital

	Ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
Authorised:		
At 1st April 2003 and 30th September 2003	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1st April 2003 and 30th September 2003	<u>1,286,482,836</u>	<u>128,648</u>

11. Related party transactions

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the period:

- a. On 20th June 2003, the Group completed an extensive reorganisation, details of which are set out in the Company's circular dated 10th April 2003 and the composite offer document issued jointly by the Company and Mexan Group Limited on 30th June 2003, which included the cancellation and distribution of the share premium and a portion of the retained earnings of the Company amounting to approximately HK\$1,187 million (see Note 5).
- b. On 23rd September 2003, the Group purchased certain motor vehicles from Mexan International Limited ("MIL"), which is partly owned by a director of the Company at an aggregate consideration of HK\$390,000.
- c. On 30th September 2003, the Group also entered into a tenancy agreement with MIL for renting of office premises, certain furniture and fixtures and car parks effective from 1st October 2003, details of which are set out in the Company's announcement dated 2nd October 2003.

12. Subsequent event

On 20th October 2003, the Group entered into the agreements with an independent third party to purchase a hotel property at a consideration of HK\$660 million, details of which are set out in the Company's circular dated 3rd November 2003. As at the date of this report, HK\$280 million of the consideration has been settled in cash and by the issue of new shares and convertible notes by the Company.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30th September 2003 (2002: Nil).