NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 2003

(1) Accounting Policies

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

The accounting policies adopted in the condensed financial statements are consistent with those set out in the Group's audited financial statements for the year ended 31 March 2003, except that the Group has adopted SSAP 12 (Revised) "Income Taxes" in the current period. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any special transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for the prior periods have been restated accordingly. As a result of this change in policy, the opening balance of accumulated losses at 1 April 2003 has been increased by approximately HK$$535,000 (1.4.2002: increased by approximately HK$481,000). The net loss for the six months ended 30 September 2003 has been increased by approximately HK$80,000 (six months ended 30.9.2002: increased by approximately HK$27,000).

(2) Basis of Preparation of Interim Financial Report

In preparing the interim financial report, the directors of the Company have given careful consideration to the liquidity position and the going concern status of the Group.

Events of default have arisen under certain bank loans and credit facility agreements entered into by the Group. As a result, the relevant bank borrowings have become repayable on demand and have been classified as current liabilities. As explained in note 8, the Group disposed of certain investment properties to meet the relevant financial obligations and liabilities of the Group during the six months ended 30 September 2003, the Group remains dependent upon the continued support of its banks.

Against this background, the Group has been in discussions with its banks with a view to reaching agreements on the rescheduling and/or settlement of its outstanding debts and at the same time to obtain additional finance for the Group. As a result, during the period, two of the Group's banks have entered into settlement agreements (the "Settlement Agreements") with certain subsidiaries of the Company under which a portion of the Group's outstanding debts as at 30 September 2003 amounted to approximately HK$43 million will be deemed to be fully discharged and settled if certain conditions are satisfied. In addition, subsequent to 30 September 2003, certain subsidiaries of the Company have entered into a repayment schedule with the Group's bank so that the relevant bank borrowings amounting to approximately HK$40 million classified as current liabilities as at 30 September 2003 will be repayable after one year.

Provided that the conditions under the Settlement Agreements can be satisfied and additional finance can be raised for the Group, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The interim financial report has been prepared on a going concern basis, the validity of which depends upon future fundings being available. The interim financial report does not include any adjustments that may result from the failure to obtain such funding.

(3) Segment Information

For management purposes, the Group is currently organized into four operating divisions, namely, sale of properties, rental service, building management services and others. These divisions are the bases for segment reporting purposes.

Business segments:

For the six months ended 30 September 2003

	Sale of properties HK$'000	Rental service HK$'000	Building management services HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
External revenue	87,000	5,552	1,536	–	–	94,088
Inter-segment revenue	–	255	174	–	(429)	–
Total revenue	87,000	5,807	1,710	–	(429)	94,088
Segment result	(2,626)	3,015	161	–	–	550
Unallocated other operating income						849
Interest income						28
Unallocated corporate expenses						(9,572)
Loss from operations						(8,145)
Finance costs						(7,037)
Loss before taxation						(15,182)
Taxation						(80)
Net loss for the period						(15,262)

Inter-segment revenue are charged at prevailing market rates.

For the six months ended 30 September 2002

	Sale of properties HK$'000	Rental service HK$'000	Building management and agency services HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
External revenue	58,906	9,913	2,516	–	–	71,335
Inter-segment revenue	–	741	94	–	(835)	–
Total revenue	58,906	10,654	2,610	–	(835)	71,335
Segment result	(17,789)	6,658	1,098	–	–	(10,033)
Unallocated other operating income						1,452
Interest income						66
Unallocated corporate expenses						(12,739)
Loss from operations						(21,254)
Finance costs						(9,042)
Loss before taxation						(30,296)
Taxation						(27)
Net loss for the period						(30,323)

Inter-segment revenue are charged at prevailing market rates.

(4) Loss from Operations

	1.4.2003 to 30.9.2003 HK$'000	1.4.2002 to 30.9.2002 HK$'000
Loss from operations has been arrived at after charging:		
Depreciation of plant and equipment	**78**	334
Severance payment	**1,213**	–
Loss on disposal of plant and equipment	**141**	–

(5) Taxation

	1.4.2003 to 30.9.2003 HK$'000	1.4.2002 to 30.9.2002 HK$'000
Deferred tax		
Current period	**(80)**	(27)

No provision for Hong Kong Profits Tax has been made in the condensed financial statements during the period as the estimated assessable profits for the period have been wholly absorbed by the tax losses brought forward. The Group had no assessable profit for the six months ended 30 September 2002.

(6) Dividend

Dividend for preference shares of approximately HK$520,000 (six months ended 30.9.2002: HK$579,000) was paid during the period to preference shareholders in accordance with the rights of preference shareholders of the Company.

(7) Loss per Share

The calculation of the basic loss per share is based on the net loss for the period of approximately HK$15,262,000 (six months ended 30.9.2002: HK$30,323,000) and on weighted average number of 3,656,356,207 (six months ended 30.9.2002: 3,236,460,924) shares in issue during the period.

The computation of diluted loss per share for both periods does not assume the exercise of the conversion rights attached to the Company's outstanding share options and convertible redeemable non-voting preference shares as these conversions would result in a decrease in loss per share.

(8) Investment Properties, Plant and Equipment

During the period ended 30 September 2003, the Group sold two of its investment properties to the independent third parties at a total consideration of HK$87 million. The proceeds arising therefrom have been/will be used to settle the bank loans secured by the investment properties sold, resulting in a loss on disposal of approximately HK$2,626,000.

In addition, the Group spent approximately HK$Nil on plant and equipment during the six months ended 30 September 2003 (six months ended 30.9.2002: HK$232,900).

(9) Investments in Securities

	30 September 2003 HK$'000	31 March 2003 HK$'000
Equity securities:		
Non-current		
Investment securities – unlisted (*Notes*)	**140,400**	140,400
Current		
Other investments – listed	**699**	470
	141,099	140,870

Notes:

1. The investment represents the Group's 1.99% equity interest in Hong Kong Satellite Technology Holdings Limited ("Hong Kong Satellite") which is an investment holding company whose subsidiaries are principally engaged in the development of a satellite communications platform and the manufacture, assembly, marketing and sale of new commercial communications satellites.

2. The directors of the Company have considered the carrying value as at 30 September 2003 of its investment in Hong Kong Satellite with reference to the valuation report dated 21 July 2003 prepared by Grant Sherman Appraisal Limited, a firm of independent valuers, in respect of the value of Hong Kong Satellite. The value of Hong Kong Satellite as set out in the valuation report has been prepared after taking into consideration of various principal factors and major assumptions, one of which being the availability of finance to fund the forecast growth of Hong Kong Satellite's operations in accordance with its business plan and projection. Provided that Hong Kong Satellite is able to secure the required funds to develop the satellite communications platform in accordance with its business plan and projection, the directors of the Company are satisfied that the value as set out in the valuation report can be used to determine the carrying value of its investment in Hong Kong Satellite. On this basis, no impairment loss has been recognised in the interim report.

(10) Trade and Other Receivables

It is the Group's policy to demand advance payment from its trade customers, except where there is an agreement relating to sale of properties, in which case payment shall be made according to its terms.

The following is an aged analysis of trade receivables at the reporting date:

	30 September 2003 HK$'000	31 March 2003 HK$'000
Within 60 days	**26,755**	750
Between 61 – 90 days	**83**	198
Over 90 days	**446**	39
Trade receivables	**27,284**	987
Other receivables	**1,161**	2,081
	28,445	3,068

(11) Trade and Other Payables

The following is an aged analysis of trade payables included in trade and other payables at the reporting date:

	30 September 2003 HK$'000	31 March 2003 HK$'000
Trade payables with age of 91 days or above	**80**	80
Accrued bank loan interest	**21,826**	16,485
Other payables	**11,813**	7,833
	33,719	24,398

(12) Amount Due to a Director

The amount is unsecured, non-interest bearing and has no fixed repayment terms. As at 31 March 2003, the amount due was unsecured and it was the intention of the director not to demand repayment of the amount in the next twelve months from the balance sheet date and accordingly, the amount was shown as a non-current liability.

(13) Share Capital

During the current period, 1 convertible redeemable non-voting preference share with par value of HK$1,000,000 was converted into 10,000,000 ordinary shares at HK$0.10 each.

(14) Pledge of Assets

The general credit facilities and bank borrowings of the Group are secured by the Group's investment properties and properties held for sale with an aggregate carrying value of HK$53,300,000 (31.3.2003: HK$89,000,000) and HK$45,000,000 (31.3.2003: HK$45,000,000) respectively.

(15) Related Party Transactions

During the period, the Group had the following transactions with related parties:

		For the six months ended 30 September	
Name of related party	**Nature of transactions**	**2003**	2002
		HK$'000	*HK$'000*
Cymbeline Limited	Rental expenses paid by the Group (*notes a and c*)	**48**	48
Good Harvest Securities Company Limited	Rental income received by the Group (*notes b and c*)	**62**	109
Mr. Chu David Yu Lin	Rental income received by the Group (*note c*)	**42**	74
	Preference share dividend paid by the Group (*note d*)	**1,030**	579
	Interest expenses paid by the Group (*note e*)	–	848

Notes:

(a) Mr. Chan King Hung, a director of the Company during the period, has a beneficial interest in Cymbeline Limited.

(b) Mrs. Chu Ho Miu Hing, a director of the Company, has a beneficial interest in Good Harvest Securities Company Limited.

(c) The above transactions were carried out with reference to the market price.

(d) The preference share dividend was calculated at 1% per annum on the aggregate par value of the preference shares outstanding.

(e) The interest expenses were calculated at prevailing market rates.

In addition, certain banking facilities of the Group are secured by personal guarantees given by Mr. Chan King Hung and Mr. Chu David Yu Lin and Mrs. Chu Ho Miu Hing, on which no charge was paid by the Group.