

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003**

**1. BASIS OF PREPARATION**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2003 except as described below.

In the current interim period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. 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. The adoption of SSAP 12 (Revised) has had no effect on the results for the current or prior interim reporting periods.

### 3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments.

	Turnover		Loss from operations	
	Six months ended		Six months ended	
	31 December		31 December	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
General trading	10,808	10,338	(4,431)	(7,205)
Property development	–	–	(21,270)	–
	<u>10,808</u>	<u>10,338</u>	<u>(25,701)</u>	<u>(7,205)</u>

More than 90% of the Group's turnover was attributable to the operations carried out in Hong Kong.

### 4. LOSS FROM OPERATIONS

Six months ended	
31 December	
2003	2002
HK\$'000	HK\$'000

Loss from operations has been arrived at after charging:

Depreciation	<u>1,848</u>	<u>2,300</u>
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### 5. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the Group had no assessable profit for both periods.

### 6. BASIC LOSS PER SHARE

The calculation of the basic per share is based on the net loss for the period of HK\$29,129,000 (2002: HK\$23,026,000) and on 528,271,615 (2002: 528,271,615) ordinary shares in issue during the period.

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## 7. DIVIDEND

No dividend was paid by the Company during the period (2002: nil).

## 8. PROPERTIES UNDER DEVELOPMENT

The properties under development are situated in Hong Kong and are held under long leases. They were pledged to a bank to secure the credit facilities granted to the Group.

The directors of the Company estimate that the property development will be complete and ready for sale or pre-sale by May 2004.

## 9. SECURED BANK LOANS

	<b>31.12.2003</b>	30.6.2003
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
The bank loans comprise:		
HK\$ term loan	<b>608,857</b>	613,424
US\$ term loan	<b>78,000</b>	78,000
Instalment loan	<b>17,774</b>	18,169
	<b>704,631</b>	709,593
Less: Amount due within one year shown under current liabilities	<b>(687,653)</b>	(692,219)
Amount due after one year	<b><u>16,978</u></b>	<u>17,374</u>

The bank loans are secured by the Group's properties and bear interest at prevailing market rates.

The HK\$ term loan and the US\$ term loan were repayable in full by April 2003 and May 2003 respectively. While the Group was discussing with the bankers to extend the repayment dates of these loans, on 30 June 2003 the bank (i) appointed Joint and Several Receivers and Managers (the “Receivers”) to take over, among others, all the assets and property of Holyrood Limited (“Holyrood”), including the Group’s properties held under development with a carrying amount of approximately HK\$907 million as at 30 June 2003 (the “Property”), which were pledged to secure the HK\$ term loan; and (ii) served the Group with a statutory demand letter regarding the US\$ term loan. Holyrood is a wholly-owned subsidiary of the Company through which the Group carries out the property development project.

In November 2003, the Group entered into a loan agreement with another bank and obtained term loan facilities in the aggregate principal amount of HK\$660,000,000 comprising (i) HK\$600,000,000 for refinancing the HK\$ term loan (together with the accrued interest and other bank charges); and (ii) HK\$60,000,000 for financing the then estimated construction costs yet to be expended in completing construction of the Property. The maturity date of this new loan is the earlier of (i) the date falling six months from the date of issuance of the occupation permit of the Property; and (ii) 30 September 2004.

Also in November 2003, the Group entered into loan agreement with a new lender and obtained a term loan of HK\$155,000,000 (see note 10) for the sole purpose of funding repayment in part of the HK\$ term loan (together with the accrued interest and other bank charges).

Also in November 2003 and upon the full repayment of the former HK\$ term loan (together with the accrued interest and other bank charges), the Group redeemed all the assets and property of Holyrood charged. The Receivers then ceased to act as Holyrood’s and the Property’s receivers and managers.

At the date of this report, the Group is in the process of soliciting new bankers to refinance the US\$ term loan. The directors of the Company are of the opinion that the Group can solicit the new bankers within a short period of time.

The instalment loan is repayable over a period of twenty years to September 2021.

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## 10. OTHER LOANS

	31.12.2003	30.6.2003
	HK\$'000	HK\$'000
Loans from:		
– a shareholder	220,312	164,485
– related companies ( <i>note</i> )	41,974	34,226
– unrelated companies	<u>34,589</u>	<u>34,589</u>
	296,875	233,300
Term loan	<u>155,000</u>	<u>–</u>
	<u>451,875</u>	<u>233,300</u>

The maturity date of the term loan is the earlier of (i) the date falling the last date of the six month period after the date of issuance of the occupation permit of the Property; and (ii) 1 October 2004. Repayment of the term loan is subordinated to the HK\$ term loan obtained from a bank (together with the accrued interest and other bank charges) referred to in note 9 above being repaid in full.

All other loans are unsecured, non-interest bearing and repayable on demand.

*Note:* At 31 December 2003 and 30 June 2003, the loans are owed to companies in which a director of subsidiaries and/or Mr. Oung Shih Hua, James, a director of the Company, have controlling interests.

## 11. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or prior interim reporting periods.