

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”). These interim financial statements also comply with the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing on Securities on the Stock Exchange of Hong Kong Ltd.

The accounting policies, methods of computation and basis of preparation used in the preparation of the unaudited condensed interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements of the year ended 30th June 2003, except for the adoption of the following new/revised SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2003.

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 specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has no significant net effect on the net assets and results of the Group for the current period and prior periods.

2. COMPARATIVE FIGURES

The financial information relating to the financial year ended 30th June 2003 included in the interim results does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts.

3. SEGMENT INFORMATION

	Turnover		Results	
	Six months ended		Six months ended	
	31st December		31st December	
	2003	2002	2003	2002
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
By business activity:				
Property sales	1,668	71,170	1,333	4,028
Property rental	10,897	8,453	6,644	4,531
Estate management	720	719	720	719
Interest income	153	135	153	135
	<u>13,438</u>	<u>80,477</u>	<u>8,850</u>	<u>9,413</u>
Administrative and other operating expenses			<u>(5,182)</u>	<u>(4,981)</u>
Profit from operations			<u>3,668</u>	<u>4,432</u>

4. PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Six months ended	
	31st December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit (Loss) from ordinary activities before taxation is stated after charging:		
(a) Other items		
Depreciation	293	281
Staff costs	1,296	1,275
Retirement scheme contributions	42	46
Cost of properties sold	335	67,142
	<u> </u>	<u> </u>
(b) Finance costs		
Interest on bank loans and overdrafts	2,592	4,265
Interest on advances from a related company	6,787	8,152
Other incidental borrowing costs	–	1,990
	<u> </u>	<u> </u>
	9,379	14,407
Less: Borrowing costs capitalised in properties under development	(5,359)	(6,335)
	<u> </u>	<u> </u>
	<u>4,020</u>	<u>8,072</u>

5. TAXATION

Hong Kong profits tax has not been provided as the Group's estimated profit for the six months ended 31st December 2003 is wholly absorbed by unrelieved tax losses brought forward from previous years.

6. DIVIDENDS

	Six months ended	
	31st December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend proposed	<u>1,091</u>	<u>–</u>

The directors recommended that an interim dividend in respect of the financial year ending 30th June 2004 of HK1.5 cents per share shall be paid to the shareholders of the Company whose name appear on the Registrar of Members on 30th April 2004.

7. EARNINGS (LOSS) PER SHARE

The calculation of earnings per share is based on the unaudited profit for the period of HK\$14,196,000 (2002: loss of HK\$3,640,000) and 72,742,211 shares (2002: 43,354,357 shares as restated) in issue during the period, as adjusted to reflect the bonus element of the rights issue on 18th March 2003 and consolidation of shares on 5th June 2003 and as if the events had occurred at the beginning of the earlier period reported.

Diluted earnings (loss) per share has not been presented because the Company does not have any dilutive potential ordinary shares.

8. TRADE AND OTHER RECEIVABLES

The Group maintains a controlled credit policy to minimize any credit risk associated with trade receivables.

Included in trade and other receivables are trade receivables with an age analysis as follows:

	At 31st December	At 30th June
	2003	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Less than 30 days	504	406
31 – 60 days	47	185
61 – 90 days	4	108
Over 90 days	11	211
	<u>566</u>	<u>910</u>

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an age analysis as follows:

	At 31st December 2003 (Unaudited) <i>HK\$'000</i>	At 30th June 2003 (Audited) <i>HK\$'000</i>
Less than 30 days	42	61
31 – 60 days	41	51
61 – 90 days	42	–
Over 90 days	<u>6,153</u>	<u>5,645</u>
	<u><u>6,278</u></u>	<u><u>5,757</u></u>

10. SHARE CAPITAL

	(Unaudited) <i>No. of shares</i>	(Unaudited) <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.1 each		
At 31st December 2003 and 30th June 2003	<u><u>10,000,000,000</u></u>	<u><u>1,000,000</u></u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 31st December 2003 and 30th June 2003	<u><u>72,742,211</u></u>	<u><u>7,274</u></u>

No changes in the issued share capital of the Company took place during the period.

11. ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 31st December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank balances and cash	1,911	3,140
Bank overdraft	—	(388)
	<u>1,911</u>	<u>2,752</u>

12. CAPITAL COMMITMENTS

	At 31st December	At 30th June
	2003	2003
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Capital commitments in respect of properties under development:		
Authorised but not contracted for	231,431	230,145
Contracted but not provided for	20,739	26,725
	<u>252,170</u>	<u>256,870</u>

13. CONTINGENT LIABILITIES

- (a) At 31st December 2003, there was a claim of HK\$7,004,000 (30th June 2003: HK\$7,004,000) against a subsidiary by a contractor for additional costs incurred in the development of the subsidiary's freehold land and building in Malaysia. The subsidiary is counter claiming liquidated and ascertained damages from the contractor for delay in completion and defective work totalling HK\$14,894,000 (30th June 2003: HK\$14,894,000). The case is pending arbitration. It is the Directors' opinion that no provision is required for such claim.

- (b) The Company and two subsidiaries have given corporate guarantees to banks in respect of banking facilities granted to subsidiaries to the extent of HK\$541,100,000 (30th June 2003: HK\$541,000,000) of which HK\$315,100,000 (30th June 2003: HK\$288,636,000) was utilised as at 31st December 2003.

14. PLEDGE OF ASSETS

At 31st December 2003, the Group's total bank borrowings of HK\$315,100,000 (30th June 2003: HK\$288,636,000) were secured by the following:

- (i) legal charges on all of the Group's investment properties and certain of the Group's properties for sale with carrying values of HK\$1,193,294,000 (30th June 2003: HK\$1,073,544,000) and HK\$146,900,000 (30th June 2003: HK\$238,000,000), respectively;

- (ii) floating charge over all the assets and undertakings of certain subsidiaries;

- (iii) mortgages over the shares of certain subsidiaries; and

- (iv) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties.

15. RELATED PARTY TRANSACTIONS

Certain related party transactions were carried out in the ordinary course of the business as follows:

	Six months ended	
	31st December	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest paid to Cecil Chao & Associates Limited (a)	6,787	8,152
Fees paid to Cecil Chao & Associates Limited (b)		
– building management fee	900	900
– architect and other professional service fees	120	120
Proceeds from sale of properties to		
Lucky Faith Properties Limited	<u><u>–</u></u>	<u><u>23,000</u></u>

- (a) Cecil Chao & Associates Limited (“CCAL”) has provided unsecured advances, which have no fixed terms of repayment, to the Group at 2% (30th June 2003: 2% above the Hong Kong dollar prime rate. At 31st December 2003, the advances from CCAL amounted to HK\$182,365,000 (30th June 2003: HK\$209,924,000). CCAL has confirmed that it will not request repayment of these advances until such time as the Group is in a position to repay. Mr. Cecil Chao Sze-Tsung, is a director and beneficial owner of CCAL. Mr. Wing-Hong Tang, a director of the Company, is a director of CCAL.
- (b) CCAL rendered architectural and related services to the Group on terms agreed between both parties.

16. POST BALANCE SHEET EVENT

On 5th January 2004, certain investment properties were disposed of to third parties for a consideration of HK\$24,500,000. The sale and purchase agreement was completed on 22nd March 2004.