

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

The unaudited condensed interim financial statements as of 30 June 2004 and for the six months period then ended comprise the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereto, all of which are in condensed format. The condensed interim financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties and investments securities. The condensed interim financial statements are prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the Group annual financial statements for the year ended 31 December 2003 ("2003 annual financial statements"). The accounting policies and methods of computation used in the preparation of the condensed interim financial statements are consistent with those used in the 2003 annual financial statements.

### 2. Turnover

The amount of each significant category of revenue recognised in turnover during the period is as follows:

	<b>Six months ended</b>	
	<b>30/6/2004</b> <b>(unaudited)</b> <b>HK\$'000</b>	20/6/2003 (unaudited) HK\$'000
Proceeds on disposal of properties	<b>10,600</b>	0
Rental income	<b>735</b>	358
	<b>11,335</b>	358

**3. Segment information**

The Group is principally engaged in property holding and investment and no other business segment accounted for more than 10% of the Group's turnover and trading results and also all significant identifiable assets of the Group are located in Hong Kong. Accordingly, no segmental analysis is presented.

**4. Depreciation**

During the period, depreciation of HK\$26,000 (six months ended 30 June 2003: HK\$153,000) was charged in respect of the fixed assets of the Group.

**5. Gain arising from the debt restructuring arrangements**

The gain of HK\$144,877,000 represented the overdrafts, loans principal and accrued interest payable of the Group waived by certain financial creditors during the period in accordance with the respective terms of the debt restructuring arrangements.

**6. Taxation**

No provision for Hong Kong nor overseas profits tax is required for the current period (six months ended 30 June 2003: HK\$Nil) since each individual company sustained losses for taxation purposes.

**7. Dividends**

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

**8. Profit/(Loss) per share**

The calculation of basic profit/(loss) per share is based on the profit attributable to shareholders of HK\$138,296,000 (six months ended 30 June 2003: loss of HK\$14,753,000) and the weighted average of 2,412,022,769 (six months ended 30 June 2003: 307,101,392) ordinary shares in issue during the period. The calculation of the basic loss per share for the period ended 30 June 2003 has not been adjusted retrospectively to reflect the issue of the bonus shares in March 2004 in accordance with the private placement and loan capitalisation mentioned in note 12 to the interim report.

There were no dilutive potential ordinary shares in existence in both periods ended 30 June 2004 and 2003.

**9. Additions to fixed assets**

During the period, the Group spent HK\$12,000 (six months ended 30 June 2003: HK\$Nil) on additions to fixed assets.

**10. Trade and other receivables**

The majority of the Group's turnover is the proceeds received on disposal of properties which are in accordance with the terms and conditions of the agreement and the remaining portion of turnover is rental income. The payment terms of rental income are in accordance with the tenancy agreements and the payments are normally due on the first day of the month. At 30 June 2004, the ageing analysis of the trade receivables was as follows:

	<b>30/6/2004</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2003 (audited) HK\$'000
0 — 60 days	<b>0</b>	0
61 — 90 days	<b>0</b>	0
> 90 days	<b>22</b>	22
Total trade receivables	<b>22</b>	22
Other receivables	<b>79</b>	89
Deposits and prepayments	<b>3,250</b>	735
	<b>3,351</b>	846

**11. Trade and other payables**

At 30 June 2004, the ageing analysis of the trade payables was as follows:

	<b>30/6/2004</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2003 (audited) HK\$'000
0 — 60 days	<b>69</b>	266
61 — 90 days	<b>34</b>	26
> 90 days	<b>1,405</b>	1,568
Total trade payable	<b>1,508</b>	1,860
Other payables and accruals	<b>5,970</b>	8,319
Rental or trade deposits received	<b>1,156</b>	280
Due to directors	<b>519</b>	3,630
	<b>9,153</b>	14,089

**12. Share capital**

During the current reporting period, the Company issued and allotted a total of 840,000,000 shares at par of HK\$0.1 per share (last reporting period: 60,000,000 shares at HK\$0.1 per share) through private placement and loan capitalisation together with 2,520,000,000 bonus shares issued at par of HK\$0.10 each on the basis of three bonus shares for each share subscribed per above..

**13. Commitments under operating leases**

At the reporting dates, the future aggregate minimum lease payments under non-cancellable operating leases of the Group are as follows:

	<b>30/6/2004</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2003 (audited) HK\$'000
Operating leases payable for the office premises		
Within one year	<b>354</b>	149
In the second to fifth years inclusive	<b>343</b>	–
	<b>697</b>	149

**14. Future operating lease arrangements**

At the reporting dates, the future aggregate minimum lease receipts by the Group under non-cancellable operating leases are as follows:

	<b>30/6/2004</b> <b>(unaudited)</b> <b>HK\$'000</b>	31/12/2003 (audited) HK\$'000
Within one year	<b>1,440</b>	1,487
In the second to fifth years inclusive	<b>360</b>	1,080
	<b>1,800</b>	2,567

**15. Comparative figures**

Certain comparative figures have been reclassified to conform with the presentation of the current period.