

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

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 the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

3. Segmental information

The Group is engaged in property leasing and building management services. As over 90% of the Group's segment revenue was arising from property leasing, therefore, no business segment information is presented.

4. Turnover

Turnover represents rental and management fee income but excludes intra-group transactions.

5. Finance costs

Interest on bank borrowings wholly repayable within five years
Other finance costs

Six months ended 30 June

2004	2003
HK\$'000	HK\$'000

844	1,235
129	251
973	1,486

6. Share of result of a jointly controlled entity / impairment loss on goodwill of interest in a jointly controlled entity

For the period ended 30 June 2004, the directors of the Company reviewed the carrying amount of the net assets of the Group's jointly controlled entity, Beijing Dongzhimen International Apartments Co., Ltd. ("Beijing Dongzhimen"), in the light of current market condition. With reference to the financial results and business operated by Beijing Dongzhimen, the directors of the Company identified impairment loss in respect of its share of net assets and goodwill of approximately HK\$67,529,000 and HK\$22,471,000 respectively, and such amounts were dealt with in the income statement.



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7. Gain on disposal of an associate/dividend paid

On 13 February 2004, the directors of the Company declared to distribute special dividend to be satisfied by the distribution in specie of the Group's entire shareholding of approximately 31.02%, representing 371,029,995 shares in an associate, Shougang Concord Technology Holdings Limited ("Shougang Technology"), to the Company's shareholders on a pro-rata basis (the "Distribution"). The Distribution was completed on 23 March 2004 and the market price of Shougang Technology's share at that date was HK\$1.01 per share. Total dividend paid is amounted to approximately HK\$374,740,000.

Pursuant to the completion of the Distribution, the interest of an associate is considered disposed of accordingly. Total gain of approximately HK\$189,210,000 was arising on the Distribution and was dealt with in the income statement.

8. Profit (loss) before taxation

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Amortisation of goodwill of a jointly controlled entity (included in share of result of a jointly controlled entity)	937	937
Cost incurred in the provision of rental and management services*	1,205	1,699
Revaluation deficit of investment properties	7,550	–
Depreciation of property, plant and equipment	52	79
Unrealised holding loss on short term investments	20	5
and after crediting:		
Dividend income from short term investments	39	33
Interest income from bank deposits	21	49

* This amount included staff costs of HK\$924,000 (six months ended 30 June 2003: HK\$1,307,000).



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9. Taxation

	Six months ended 30 June	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
The credit comprises:		
Hong Kong Profits Tax:		
Current period	161	171
Overprovision in prior period	(345)	(5)
Deferred taxation	(815)	534
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	(999)	700
Share of taxation attributable to:		
A jointly controlled entity	(779)	(997)
An associate	18	65
	<hr/>	<hr/>
	(1,760)	(232)
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Hong Kong Profits Tax is calculated at 17.5% (Six months ended 30 June 2003: 17.5%) of the estimated assessable profit for the period.

At 30 June 2004, the Group has unused tax losses of HK\$47,719,000 (31 December 2003: HK\$48,758,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$1,098,000 of such tax losses and the whole amount has been offset with the deferred tax liabilities for the period. No deferred tax asset has been recognised in respect of the remaining HK\$41,445,000 (31 December 2003: HK\$48,758,000) due to the unpredictability of future profit streams.



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10. Earnings (loss) per share

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Earnings		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share	<u>83,701</u>	<u>(3,297)</u>
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	912,624	847,426
Effect of dilutive potential ordinary shares on share options	<u>17,004</u>	—
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<u>929,628</u>	<u>847,426</u>

The computation of diluted loss per share for the period ended 30 June 2003 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for the shares for such period.

11. Movements in investment properties

A revaluation deficit of HK\$7,550,000 was recognised during the period with reference to the considerations of subsequent disposals after the balance sheet date as set out in note 16.

12. Borrowings

During the period, the Group repaid HK\$0.3 million (31 December 2003: HK\$70.6 million) of its bank loans in accordance with the repayment terms. The loans bear interest at market rates and are repayable over a period of 5 years.



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For the six months ended 30 June 2004

13. Share capital

	Number of ordinary shares of HK\$0.01 each		Amount	
	30 June 2004	31 December 2003	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Authorised:				
At beginning and end of the period/year	2,000,000,000	2,000,000,000	20,000	20,000
Issued and fully paid:				
At beginning of the period/year	857,867,914	827,867,914	8,579	8,279
Exercise of share options	81,448,753	–	814	–
Shares issued at premium	–	30,000,000	–	300
At the end of the period/year	939,316,667	857,867,914	9,393	8,579

14. Pledge of assets

At 30 June 2004, all of the Group's investment properties and land and buildings with an aggregate carrying value of approximately HK\$231.0 million (31 December 2003: HK\$238.6 million) were pledged to banks for bank loans. At 30 June 2004, the outstanding amount of such bank loans were HK\$109.3 million (31 December 2003: HK\$109.5 million).

15. Capital commitments

The Group had the following commitments at the interim reporting date:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
The Group's share of the jointly-controlled entity's capital commitments:		
Contracted, but not provided for	7,774	11,814

16. Post balance sheet events

On 19 July 2004, the Group has entered into a provisional agreement with an independent third party to dispose of an investment property at HK\$40,000,000. A formal sale and purchase agreement was signed on 26 August 2004 by both parties and the transaction was completed on 27 August 2004.



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For the six months ended 30 June 2004

16. Post balance sheet events (continued)

On 18 August 2004, the Group has entered into a provisional agreement with an independent third party to dispose of an investment property at HK\$100,800,000 and a formal sale and purchase agreement was signed on 31 August 2004. The transaction was not yet completed at the report date.

On 9 September 2004, the Group has entered into a subscription agreement to acquire 40% equity interest in South China International Leasing Co., Ltd., a sino-foreign joint venture in Shenzhen, the People's Republic of China which is principally engaged in the provision of financial leasing at a consideration of approximately US\$1,666,000 (equivalent to approximately HK\$12,998,000), of which US\$1.3 million is for the acquisition of a shareholder's loan. Up to the report date, the Group has paid approximately US\$366,000 (equivalent to approximately HK\$2,855,000) to the vendor and the remaining consideration of US\$1.3 million will be fully settled on or before 10 December 2004 according to the terms of the subscription agreement.

17. Related party transactions

During the period, the Group entered into certain transactions with Shougang Holding (Hong Kong) Limited ("Shougang Holding"), the immediate holding company, and with Shougang Holding's subsidiary and with Shougang Technology.

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Rental expenses charged by Winluck Properties Limited (<i>Note a</i>)	297	297
Consultancy expenses charged by Shougang Holding (<i>Note b</i>)	480	480
Management fee income received from Shougang Technology (<i>Note c</i>)	—	120

Notes:

- (a) The rental expenses were charged in accordance with the agreements between the Group and Winluck Properties Limited, a subsidiary of Shougang Holding.
- (b) The consultancy expenses were charged in accordance with the agreements between the Group and Shougang Holding.
- (c) The management fee income was charged in accordance with the agreement between the Group and Shougang Technology.

