

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 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 Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

(2) **Accounting Policies**

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 March 2004.

(3) Segment Information

For management purposes, the Group is currently organised into three operating divisions, namely, sales of properties, rental service and others. These divisions are the basis on which the Group reports its primary segment information.

For the period ended 30 September 2003, the Group was also involved in the building management services. That operation was discontinued during the six months ended 30 September 2004.

Business segments:

For the six months ended 30 September 2004

| | Continuing operations | | | Discontinuing operation | Consolidated HK\$'000 |
|--|------------------------------------|-------------------------------|--------------------|--|--------------------------|
| | Sales of properties HK\$'000 | Rental service HK\$'000 | Others HK\$'000 | Building management services HK\$'000 | |
| Turnover | <u>-</u> | <u>4,906</u> | <u>-</u> | <u>-</u> | <u>4,906</u> |
| Segment result | <u>1,500</u> | <u>3,954</u> | <u>-</u> | <u>67</u> | 5,521 |
| Unallocated other operating income | | | | | 1,025 |
| Interest income | | | | | 1 |
| Unallocated corporate expenses | | | | | (2,211) |
| Bank borrowings and related accrued interest waived | | | | | <u>36,089</u> |
| Profit from operations | | | | | 40,425 |
| Finance costs | - | (1,147) | (1,680) | - | <u>(2,827)</u> |
| Profit before taxation | | | | | 37,598 |
| Taxation | | | | | <u>-</u> |
| Net profit for the period | | | | | <u>37,598</u> |

(3) Segment Information – Continued

For the six months ended 30 September 2003

| | Continuing operations | | | Discontinuing operation | Eliminations | Consolidated |
|------------------------------------|------------------------|-------------------|----------|------------------------------------|--------------|------------------------|
| | Sales of properties | Rental service | Others | Building management services | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | | | | | | |
| External | 87,000 | 5,552 | - | 1,536 | - | 94,088 |
| Inter-segment | - | 255 | - | 174 | (429) | - |
| Total | <u>87,000</u> | <u>5,807</u> | <u>-</u> | <u>1,710</u> | <u>(429)</u> | <u>94,088</u> |
| Segment result | <u>(2,626)</u> | <u>3,015</u> | <u>-</u> | <u>161</u> | <u>-</u> | 550 |
| Unallocated other operating income | | | | | | 849 |
| Interest income | | | | | | 28 |
| Unallocated corporate expenses | | | | | | <u>(9,572)</u> |
| Loss from operations | | | | | | (8,145) |
| Finance costs | - | (4,992) | (2,045) | - | - | <u>(7,037)</u> |
| Loss before taxation | | | | | | (15,182) |
| Taxation | | | | | | <u>(80)</u> |
| Net loss for the period | | | | | | <u><u>(15,262)</u></u> |

Inter-segment sales were charged at prevailing market rates.

(4) Profit (Loss) from Operations

| | 1.4.2004 to 30.9.2004 HK\$'000 | 1.4.2003 to 30.9.2003 HK\$'000 |
|--|--------------------------------------|--------------------------------------|
| Profit (loss) from operations has been arrived at after charging: | | |
| Depreciation of plant and equipment | 58 | 78 |
| Provision for severance payment | - | 1,213 |
| Loss on disposal of tangible fixed assets | - | 141 |
| | <u> </u> | <u> </u> |

(5) Taxation

| | 1.4.2004 to 30.9.2004 HK\$'000 | 1.4.2003 to 30.9.2003 HK\$'000 |
|-------------------|--------------------------------------|--------------------------------------|
| Deferred taxation | | |
| Current period | - | (80) |
| | <u> </u> | <u> </u> |

No provision for Hong Kong Profits Tax has been made in the condensed financial statements as the estimated assessable profits for both periods have been wholly absorbed by the tax losses brought forward.

(6) Dividend

Dividend for preference shares of approximately HK\$515,000 (six months ended 30.9.2003: HK\$520,000) was paid during the period to a preference shareholder in accordance with the rights of preference shareholders of the Company.

(7) Earnings (Loss) per Share

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

| | 1.4.2004 to 30.9.2004 HK\$'000 | 1.4.2003 to 30.9.2003 HK\$'000 |
|---|---|---|
| Net profit (loss) for the period | 37,598 | (15,262) |
| Dividend on convertible preference shares | <u>(515)</u> | <u>(520)</u> |
| Earnings (loss) for the purpose of calculating basic earnings (loss) per share | 37,083 | (15,782) |
| Effect of dilutive potential ordinary shares: | | |
| Dividend on convertible preference shares | <u>515</u> | <u>–</u> |
| Earnings (loss) for the purpose of calculating diluted earnings (loss) per share | <u><u>37,598</u></u> | <u><u>(15,782)</u></u> |
| | Number of shares | |
| | 1.4.2004 to 30.9.2004 '000 | 1.4.2003 to 30.9.2003 '000 |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share | <u>3,676,208</u> | <u>3,656,356</u> |
| Effect of dilutive potential ordinary shares: | | |
| Options | 4,073 | – |
| Convertible preference shares | <u>293,447</u> | <u>–</u> |
| | <u>297,520</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share | <u><u>3,973,728</u></u> | <u><u>3,656,356</u></u> |

(7) Earnings (Loss) per Share – Continued

The computation of diluted loss per share for the period ended 30 September 2003 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) Addition to Tangible Fixed Assets

During the six months ended 30 September 2004, the Group spent approximately HK\$37,000 (31.3.2004: HK\$12,000) on acquisition of tangible fixed assets.

(9) Trade and Other Receivables

Included in trade and other receivables are trade receivables of approximately HK\$997,000 (31.3.2004: HK\$1,075,000) which comprises mainly rental receivables. Monthly rents are billed in advance and in respect of which settlement is expected upon receipts of billings.

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

| | 30 September 2004 HK\$'000 | 31 March 2004 HK\$'000 |
|----------------------|----------------------------------|------------------------------|
| Within 60 days | 426 | 679 |
| Between 61 – 90 days | 106 | 156 |
| Over 90 days | 465 | 240 |
| | <u>997</u> | <u>1,075</u> |

(10) 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 2004 HK\$'000 | 31 March 2004 HK\$'000 |
|---|----------------------------------|------------------------------|
| Trade payables with age of 91 days or above | 80 | 80 |
| Accrued bank loan interest | 28 | 12,823 |
| Other payables | 4,491 | 3,655 |
| | <u>4,599</u> | <u>16,558</u> |

(11) Amount Due to a Director

| | 30 September 2004 HK\$'000 | 31 March 2004 HK\$'000 |
|---|----------------------------------|------------------------------|
| Unsecured and non-interest bearing | 4,872 | 6,125 |
| <i>Less: Amount due within one year shown under current liabilities</i> | <u>(2,400)</u> | <u>(2,400)</u> |
| | <u><u>2,472</u></u> | <u><u>3,725</u></u> |

(12) Amount Due to a Shareholder

| | 30 September 2004 HK\$'000 | 31 March 2004 HK\$'000 |
|---|----------------------------------|------------------------------|
| Unsecured and interest bearing at prevailing market rates | 3,000 | – |
| Unsecured and non-interest bearing | <u>1,191</u> | <u>–</u> |
| | 4,191 | – |
| <i>Less: Amount due within one year shown under current liabilities</i> | <u>(1,191)</u> | <u>–</u> |
| | <u><u>3,000</u></u> | <u><u>–</u></u> |

(13) Bank Borrowings

During the six months ended 30 September 2004, the Group obtained new bank borrowings amounting to HK\$53,000,000. The loan bears interest at prevailing market rates and is repayable within 7 years. The fund raised was used to settle the outstanding bank loans. The bank loans of HK\$46,953,000 were repaid during the six months ended 30 September 2004.

An amount of HK\$21,892,000 was waived by a bank upon fulfillment of certain conditions as agreed between the bank and a subsidiary within the Group during the six months ended 30 September 2004. The related accrued bank interest of HK\$14,197,000 was also waived. Accordingly, an aggregate amount of HK\$36,089,000 was credited to the condensed consolidated income statement for the six months ended 30 September 2004.

(14) Share Capital

| | Number of shares '000 | Share capital HK\$'000 |
|--|--------------------------|---------------------------|
| (a) <i>Ordinary shares</i> | | |
| Ordinary shares of HK\$0.1 each | | |
| Issued and fully paid: | | |
| At 1 April 2004 | 3,676,098 | 367,610 |
| Exercise of share options | <u>2,000</u> | <u>200</u> |
| At 30 September 2004 | <u><u>3,678,098</u></u> | <u><u>367,810</u></u> |
| (b) <i>Convertible redeemable non-voting preference shares ("Preference Shares")</i> | | |
| Preference Shares of HK\$1,000,000 each | | |
| Issued and fully paid: | | |
| At 1 April 2004 and 30 September 2004 | <u><u>103</u></u> | <u><u>103,000</u></u> |
| Total share capital | | <u><u>470,810</u></u> |

During the six months ended 30 September 2004, 2,000,000 option shares were exercised resulting in issue of 2,000,000 ordinary shares of HK\$0.10 each of the Company. The newly issued ordinary shares ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

The holder of the Preference Shares has indicated that it currently has no intention to serve notice to the Company upon the maturity of the Preference Shares which is on the third anniversary from the issue date of 27 February 2002, to redeem all or any part thereof.

(15) 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 a carrying value of HK\$65,500,000 (31.3.2004: HK\$63,000,000) and HK\$83,500,000 (31.3.2004: HK\$82,000,000), respectively.

(16) Related Party Transactions

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

| Name of related party | Nature of transaction | 1.4.2004 to 30.9.2004 HK\$'000 | 1.4.2003 to 30.9.2003 HK\$'000 |
|--|--|--------------------------------------|--------------------------------------|
| Cymbeline Limited | Rental expenses paid by the Group (<i>notes a and c</i>) | – | 48 |
| Good Harvest Securities Company Limited | Rental income received by the Group (<i>notes b and c</i>) | – | 62 |
| Mr. Chu David Yu Lin | Rental income received by the Group (<i>note c</i>) | – | 42 |
| | Preference share dividend paid by the Group (<i>note d</i>) | – | 520 |
| Sinochem Hong Kong (Holdings) Co., Ltd. | Rental expenses paid by the Group (<i>notes c and e</i>) | 227 | – |
| | Preference share dividend paid by the Group (<i>note d</i>) | 515 | – |
| | | <u> </u> | <u> </u> |

Notes:

- (a) Mr. Chan King Hung, a former director of the Company, 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) Sinochem Hong Kong (Holdings) Co., Ltd. is the substantial shareholder of the Company.

INTERIM DIVIDEND

The Directors resolved not to declare an interim dividend for the six months ended 30 September 2004 (six months ended 30.9.2003: Nil).