NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2004

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The principal accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st March, 2004, except the new accounting policy adopted during the Period as described below.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The new accounting policy has been applied to be consistent with the requirements of the Hong Kong Financial Reporting Standard No. 3 "Business Combinations" issued by the HKICPA in August 2004. The impact of this new accounting policy is that the goodwill of approximately HK$18,301,000 arising from the acquisition of the remaining 10% interest in a subsidiary was not amortised but reviewed for impairment. No impairment loss in respect of the abovementioned goodwill had been recognised by the Group during the Period.

2. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined business segments to be presented as the primary reporting format. An analysis of the Group's business segmental information is as follows:

	Property sales and development (unaudited) *HK$'000*	Unallocated corporate items (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
For the six months ended 30th September, 2004			
TURNOVER	—	—	—
RESULTS			
Profit (loss) from operations	17,211	(1,158)	16,053
Finance cost			(406)
Profit before taxation			15,647
Taxation			—
Profit before minority interests			15,647
Minority interests			6
Profit attributable to shareholders			15,653

2. SEGMENT INFORMATION (CONTINUED)

	Property sales and development (unaudited) *HK$'000*	Unallocated corporate items (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
For the six months ended 30th September, 2003			
TURNOVER	—	—	—
RESULTS			
Profit (loss) from operations	1,972	(1,501)	471
Finance cost			(414)
Profit before taxation			57
Taxation			(625)
Loss before minority interests			(568)
Minority interests			(124)
Loss attributable to shareholders			(692)

3. PROFIT FROM OPERATIONS

	Six months ended 30th September, 2004 (unaudited) HK$'000	Six months ended 30th September, 2003 (unaudited) HK$'000
Profit from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	**1**	1
and after crediting:		
Interest income from:		
– bank and other deposits	**1**	27
– loan receivable	**355**	124
Rental income	**17**	2,120
Reversal of allowance for amount due from a minority shareholder of a subsidiary	**2,609**	—

4. FINANCE COST

Amount represents interest on amount due to a related company.

5. TAXATION

Taxation charge for the prior period represented the enterprise income tax arising in the PRC, which was calculated at the rates prevailing in the PRC.

No provision for Hong Kong Profits Tax has been made as there were no estimated assessable profits for both periods.

The Group have no significant deferred taxation in respect of the Period and the corresponding period in 2003. The deferred tax asset relating to tax losses has not been recognised, as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

6. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the Group's unaudited consolidated profit attributable to shareholders for the Period of approximately HK$15,653,000 (2003: a loss of approximately HK$692,000) and on 11,006,883 ordinary shares in issue in both periods.

No disclosure of diluted earnings (loss) per share has been presented as there were no dilutive potential ordinary shares in issue in both periods.

7. GOODWILL

Amount represents the excess of the cost of acquisition over the Group's 10% interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition which has been recognised as an asset and reviewed for impairment.

8. INTERESTS IN UNCONSOLIDATED SUBSIDIARIES

	As at 30th September, 2004 (unaudited) HK$'000	31st March, 2004 (audited) HK$'000
Carrying value at date of deconsolidation	—	—
Amount due from an unconsolidated subsidiary	717,556	717,556
Less: Allowance for doubtful recovery	(717,556)	(717,556)
	—	—

As at 30th September, 2004, the Group had 80% interest in the equities in and shareholders' loans to Canlibol Holdings Limited ("Canlibol") and its wholly-owned subsidiary, Beijing Peony Garden Apartment House Co., Ltd. ("Beijing Peony" and collectively referred to as the "Canlibol Group"), which were engaged in property development, representing the Group's entire investment costs in the Canlibol Group. The Group was unable to exercise its rights as a controlling shareholder of the Canlibol Group, and in particular its ability to exercise significant influence over the financial and operating policy decisions of the Canlibol Group and to obtain financial information. Against this background, the Directors of the Company considered that the Group had lost the ability to exercise effective control over the Canlibol Group and the Canlibol Group had been dealt with as unconsolidated subsidiaries since 1st October, 2000.

On 22nd November, 2002, the Company was informed by its PRC lawyers that an unauthorised registration had been filed with the relevant authority in the PRC pursuant to which the entire interest in Beijing Peony had already been transferred to a party unknown to the Company. The Directors of the Company had been in consultation with its PRC lawyers with a view to recovering its interest in the project and considered it was appropriate to make an allowance for doubtful recovery of the entire amount due from Canlibol.

9. SHARE CAPITAL

	As at 30th September, 2004 (unaudited) HK$'000	As at 31st March, 2004 (audited) HK$'000
Authorised:		
200,000,000,000 ordinary shares of HK$0.001 each	**200,000**	200,000
Issued and fully paid:		
11,006,883 ordinary shares of HK$0.001 each	**11**	11

10. CAPITAL COMMITMENTS

	As at 30th September, 2004 (unaudited) HK$'000	As at 31st March, 2004 (audited) HK$'000
Authorised but not contracted for in respect of a property development project	**2,239**	2,917
Contracted for but not provided in the consolidated financial statements, net of deposits paid in respect of a property development project	**49,312**	61,041
	51,551	63,958

11. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30th September, 2004 (unaudited) *HK$'000*	30th September, 2003 (unaudited) *HK$'000*
Interest from a minority shareholder of a subsidiary *(note (b))*	**355**	1,085
Interest to a related company *(notes (a) and (b))*	**406**	414
Management fees to a related company *(notes (a) and (c))*	**210**	120
Secretarial fee to a related company *(notes (a) and (d))*	**160**	160

Notes:

(a) Certain Directors and substantial shareholder of the Company have beneficial or deemed interests in the above related companies.

(b) The interest was calculated by reference to the principal outstanding and at the prevailing market interest rates.

(c) The management fees were charged on a cost basis.

(d) The transaction was carried out after negotiations between the Group and the related company and on basis of estimated market value as determined by the Directors of the Company.