

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 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 (the "Listing Rules") and Statement of Standard Accounting Practice No. 25 ("SSAP 25") *Interim financial reporting*.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2004.

3. SEGMENT INFORMATION

Business Segments

The Group's primary format for reporting segment information is business segments.

Six months ended 31 October 2004

	<u>Continuing operation</u>	<u>Discontinued operation</u>	
	Property development and investment (Unaudited) HK\$'000	Internet consulting (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
TURNOVER			
Turnover from external customers	<u>593,562</u>	<u>–</u>	<u>593,562</u>
SEGMENT RESULT	<u>111,249</u>	<u>–</u>	<u>111,249</u>
Amortisation of goodwill			(10,550)
Unallocated corporate income			18
Unallocated corporate expenses			<u>(6,194)</u>
Profit from operations			<u>94,523</u>

3. SEGMENT INFORMATION (continued)

Six months ended 31 October 2003

	Continuing operation	Discontinued operation	
	Property development and investment (Unaudited) HK\$'000	Internet consulting (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
TURNOVER			
Turnover from external customers	—	—	—
SEGMENT RESULT	(55)	—	(55)
Amortisation of goodwill			(14,073)
Unallocated corporate income			756
Unallocated corporate expenses			(3,864)
Loss from operations			(17,236)

4. PROFIT (LOSS) FROM OPERATIONS

Profit (loss) from operations has been arrived at after charging/(crediting):

	Six months ended	
	31.10.2004 (Unaudited) HK\$'000	31.10.2003 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	339	459
Amortisation of goodwill (included in other operating expenses)	10,550	14,073
	<u>10,889</u>	<u>14,532</u>
Interest income	(91)	(741)
Gain on disposal of subsidiaries	(100,967)	(41,389)
Gain on disposal of an associate	—	(18,000)

5. TAXATION

	Six months ended	
	31.10.2004 (Unaudited) HK\$'000	31.10.2003 (Unaudited) HK\$'000
Current tax:		
Other jurisdictions	36,712	2
Deferred tax:		
Current year	(12,953)	–
Share of taxation attributable to an associate	–	42
	<u> </u>	<u> </u>
	<u>23,759</u>	<u>44</u>

No provision for Hong Kong profits tax has been made in the condensed financial statements as the Company and its subsidiaries did not derive any assessable profit for the periods.

The subsidiaries and associates established in the PRC are subject to enterprise income tax on its taxable income at the rate of 33% (2003: 33%).

6. DIVIDEND

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the six months ended 31 October 2004. (2003: nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 31 October 2004 is based on the Group's net profit for the period of HK\$122,561,000 (2003: HK\$36,178,000) and on the weighted average number of shares of 2,075,940,643 (2003: 1,730,288,469) shares in issue during the period.

No diluted earnings per share for the current period has been presented because the Company has no potential ordinary shares during the period.

No diluted earnings per share for the previous period has been presented because the effect of the exercise of the Company's outstanding share options would be anti-dilutive.

8. TRADE AND OTHER RECEIVABLES

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

	31.10.2004	30.4.2004
	(Unaudited) HK\$'000	(Audited) HK\$'000
0 – 90 days	62,046	–
Over 90 days	–	–
	<u> </u>	<u> </u>
	<u>62,046</u>	<u>–</u>

General credit period granted to customers is 60 days.

9. BANK BORROWINGS

	31.10.2004 (Unaudited) HK\$'000	30.4.2004 (Audited) HK\$'000
Secured bank borrowings	205,189	–
Less: Amount due within one year shown under current liabilities	(136,981)	–
Amount due over one year	68,208	–

During the period, the Group obtained new bank loans of approximately HK\$205,189,000 as a result of an acquisition of a subsidiary during the period. The bank loans bear prevailing interest rates ranged from 5.31% to 5.84% per annum and are used to finance the development of properties project.

10. SHARE CAPITAL

	Number of shares	Nominal Value HK\$'000
Authorised:		
Shares of HK\$0.10 per share at 1 May 2003	20,000,000,000	2,000,000
Adjustment of nominal value	–	(1,800,000)
Cancellation	(19,124,059,357)	(191,241)
Additions	<u>39,124,059,357</u>	<u>391,241</u>
Shares of HK\$0.01 per share at 30 April 2004 and 31 October 2004	<u>40,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
Shares of HK\$0.10 per share at 1 May 2003	875,940,643	87,594
Adjustment of nominal value	–	(78,835)
Issue of shares	<u>1,200,000,000</u>	<u>12,000</u>
Shares of HK\$0.01 per share at 30 April 2004 and 31 October 2004	<u>2,075,940,643</u>	<u>20,759</u>

11. SHARE PREMIUM AND RESERVES

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 May 2003	131,286	368,234	-	-	(338,986)	160,534
Exchange difference not recognised in consolidated income statement	-	-	-	95	-	95
Share of capital reserve of an associate	-	-	1,735	-	-	1,735
Gains not recognised in the consolidated income statement	-	-	1,735	95	-	1,830
Reduction of capital	(131,286)	-	-	-	210,121	78,835
Issue of new shares	18,000	-	-	-	-	18,000
Share issue expenses	(962)	-	-	-	-	(962)
Net profit for the period	-	-	-	-	36,178	36,178
Balance at 31 October 2003	<u>17,038</u>	<u>368,234</u>	<u>1,735</u>	<u>95</u>	<u>(92,687)</u>	<u>150,415</u>
Exchange difference not recognised in consolidated income statement	-	-	-	(25)	-	(25)
Share of capital reserve of an associate	-	-	(1,514)	-	-	(1,514)
losses not recognised in the consolidated income statement	-	-	(1,514)	(25)	-	(1,539)
Net loss for the period	-	-	-	-	(26,430)	(26,082)
Balance at 30 April 2004	<u>17,038</u>	<u>368,234</u>	<u>221</u>	<u>70</u>	<u>(119,117)</u>	<u>266,446</u>
Exchange differences not recognised in consolidated income statement	-	-	-	40	-	40
Realised upon disposal of subsidiaries	-	-	(221)	-	-	(221)
Net profit for the period	-	-	-	-	122,561	122,561
Balance at 31 October 2004	<u>17,038</u>	<u>368,234</u>	<u>-</u>	<u>110</u>	<u>3,444</u>	<u>388,826</u>

12. CONTINGENCIES AND COMMITMENTS

At 31 October 2004, the Group has provided a guarantee of approximately HK\$731,770,000 (2003: nil) to banks in respect of credit facilities granted to prospective purchasers of properties developed by the Group.

At 31 October 2004, the Group was committed to capital expenditure of approximately HK\$122,596,000 (2003: Nil) for the completion of properties under development.

13. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries

	Six months ended 31 October	
	31.10.2004	31.10.2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net assets disposed of	22,254	34,692
Released of reserves upon disposal:		
– Goodwill	–	57,919
– Capital reserve	(221)	–
	<u>22,033</u>	92,611
Gain on disposal	<u>100,967</u>	41,389
Total consideration, satisfied by:		
Cash consideration	<u>123,000</u>	<u>134,000</u>

The disposed subsidiaries did not make any significant contribution to the results or cash flows of the Group during the interim period.

Acquisition of a subsidiary

In October 2004, Beijing Jinma Wenhua Yuan Real Estate Development Co., Limited (“Beijing Jinma”) became a subsidiary of the Group after the Group obtained its control. This deemed acquisition has been accounted for by the acquisition method of accounting. The amount of negative goodwill arising as a result of the deemed acquisition was HK\$1,592,000.

The effect of the deemed acquisition is summarised as follows:

	HK\$'000
Net assets acquired	116,771
Negative goodwill arising on acquisition	<u>(1,592)</u>
Total consideration	
Interest in an associate	<u>115,179</u>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	<u>73,027</u>

The subsidiary acquired during the period contributed HK\$593,051,000 to the Group’s turnover, and HK\$111,249,000 to the Group’s profit from operations.

14. RELATED PARTY TRANSACTIONS

The Group has entered into a contract with Beijing Newshine Decoration Co., Ltd. (“Newshine Decoration”) within total considerations of HK\$130,660,000. Newshine Decoration is under the control of Beijing Newshine Investment Group Ltd. (“Newshine Investment”), a minority shareholder of the Group’s subsidiary, Beijing Jinma. Newshine Decoration provides decoration services for the properties under development held by the Group. Up to 31 October 2004, the Group has paid HK\$85,283,000 to Newshine Decoration.

15. BALANCE SHEET OF AN AFFILIATED COMPANY

The Group had a loan to an affiliated company of approximately HK\$205,832,000 as at 31 October 2004 which exceeds 8% of the Group’s net assets. The balance sheet of the affiliated company as at 31 October 2004 is as follows:

	HK\$'000
Interest in an associate	434,552
Current assets	53
Current liabilities	(32,390)
Shareholders’ loans	<u>(373,892)</u>
Shareholders’ funds	<u><u>28,323</u></u>