

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. PRINCIPAL ACCOUNTING POLICIES

### **Basis of preparation**

The unaudited condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These interim financial statements also comply with the disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies, methods of computation and basis of preparation used in the preparation of the unaudited condensed interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements of the year ended 30th June, 2004.

### *Going concern*

The Group depends on finance from banks and a related company to fund its operations and development projects.

The related company has confirmed that it will not request repayment of the amount of HK\$296,380,000 due to it until such time as the Group is in a position to repay.

Based on the Group’s existing banking facilities, re-financing of the existing loan facility with a bank and ongoing negotiations of additional loan facilities from other banks after the balance sheet date, the Directors believe that the Group will have sufficient resources to fund its operations and will continue as a going concern. Consequently, the Directors have prepared the financial statements on a going concern basis.

## 2. COMPARATIVE FIGURES

The financial information relating to the financial year ended 30th June, 2004 included in the interim results does not constitute the Company’s statutory accounts for that financial year but is derived from those accounts.

### 3. SEGMENT INFORMATION

	Turnover		Results	
	Six months ended		Six months ended	
	31st December		31st December	
	2004	2003	2004	2003
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
By business activity:				
Property sales	<b>39,660</b>	1,668	<b>4,264</b>	1,333
Property rental	<b>9,758</b>	10,897	<b>6,590</b>	6,644
Estate management	<b>147</b>	720	<b>147</b>	720
Interest income	<b>221</b>	153	<b>221</b>	153
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b><u>49,786</u></b>	<b><u>13,438</u></b>	<b>11,222</b>	8,850
Administrative and other operating expenses			<u>(3,082)</u>	<u>(5,182)</u>
<b>Profit from operations</b>			<b><u>8,140</u></b>	<b><u>3,668</u></b>

#### 4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is stated after charging:

	<b>Six months ended</b>	
	<b>31st December</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Other items</b>		
Depreciation	<b>286</b>	293
Staff costs	<b>1,362</b>	1,296
Retirement scheme contributions	<b>47</b>	42
Cost of properties sold	<b>35,396</b>	335
	<u><b>35,396</b></u>	<u>335</u>
<b>(b) Finance costs</b>		
Interest on bank loans and overdrafts	<b>2,215</b>	2,592
Interest on advances from a related company	<b>8,467</b>	6,787
Other incidental borrowing costs	<b>278</b>	–
	<u><b>10,960</b></u>	<u>9,379</u>
Less : Borrowing costs capitalised in properties under development	<b>(8,295)</b>	(5,359)
	<u><b>2,665</b></u>	<u>4,020</u>

#### 5. TAXATION

Hong Kong profits tax has not been provided as the Group's estimated assessable profits for the six months ended 31st December, 2004 is wholly absorbed by unrelieved tax losses brought forward from previous years.

## 6. DIVIDENDS

	<b>Six months ended</b>	
	<b>31st December</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Final dividend paid	<b>1,818</b>	–
Interim dividend proposed	<b>2,182</b>	1,091
	<b>4,000</b>	1,091

The directors recommend an interim dividend of 3 cents in respect of the financial year ending 30th June, 2005 (year ended 30th June, 2004: 1.5 cents per share) payable to shareholders whose names appear on the register of members at the close of business on 22nd April, 2005.

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the unaudited profit for the period of HK\$5,475,000 (2003: HK\$14,196,000) and 72,742,211 shares (2003: 72,742,211 shares) in issue during the period.

Diluted earnings per share has not been presented because the Company does not have any dilutive potential ordinary shares.

## 8. TRADE AND OTHER RECEIVABLES

The Group maintains a controlled credit policy to minimize any credit risk associated with trade receivables.

Included in trade and other receivables are trade receivables with an age analysis as follows:

	<b>At 31st December</b>	At 30th June
	<b>2004</b>	2004
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
Less than 30 days	<b>229</b>	334
31 – 60 days	<b>39</b>	15
61 – 90 days	<b>37</b>	3
Over 90 days	<b>52</b>	56
	<b>357</b>	408

## 9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an age analysis as follows:

	<b>At 31st December 2004 (Unaudited) HK\$'000</b>	At 30th June 2004 (Audited) HK\$'000
Less than 30 days	–	837
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	<b>5,058</b>	5,188
	<u><b>5,058</b></u>	<u>5,188</u>
	<u><b>5,058</b></u>	<u>6,025</u>

## 10. SHARE CAPITAL

	<b>(Unaudited) No. of shares</b>	<b>(Unaudited) HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.1 each		
At 31st December, 2004 and 30th June, 2004	<b>10,000,000,000</b>	<b>1,000,000</b>
	<u><b>10,000,000,000</b></u>	<u><b>1,000,000</b></u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 31st December, 2004 and 30th June, 2004	<b>72,742,211</b>	<b>7,274</b>
	<u><b>72,742,211</b></u>	<u><b>7,274</b></u>

No changes in the issued share capital of the Company took place during the period.

## 11. ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 31st December 2004 (Unaudited) <i>HK\$'000</i>	At 31st December 2003 (Unaudited) <i>HK\$'000</i>
Bank balances and cash	8,368	1,911
Bank overdraft	<u>(745)</u>	<u>–</u>
	<u><u>7,623</u></u>	<u><u>1,911</u></u>

## 12. CAPITAL COMMITMENTS

	At 31st December 2004 (Unaudited) <i>HK\$'000</i>	At 30th June 2004 (Audited) <i>HK\$'000</i>
Capital commitments in respect of properties under development:		
Authorised but not contracted for	213,813	181,641
Contracted but not provided for	<u>36,312</u>	<u>34,497</u>
	<u><u>250,125</u></u>	<u><u>216,138</u></u>

### **13. CONTINGENT LIABILITIES**

- (a) At 31st December, 2004, there was a claim of HK\$7,004,000 (30th June, 2004: HK\$7,004,000) against a subsidiary by a contractor for additional costs incurred in the development of the subsidiary's freehold land and building in Malaysia. The subsidiary is counter claiming liquidated and ascertained damages from the contractor for delay in completion and defective work totalling HK\$14,894,000 (30th June, 2004: HK\$14,894,000). The case is pending arbitration. It is the Directors' opinion that no provision is required for such claim.
  
- (b) The Company and two subsidiaries have given corporate guarantees to banks in respect of banking facilities granted to subsidiaries to the extent of HK\$704,210,000 (30th June, 2004: HK\$541,000,000) of which HK\$397,800,000 (30th June, 2004: HK\$301,826,000) was utilised as at 31st December 2004.

### **14. PLEDGE OF ASSETS**

At 31st December, 2004, the Group's total bank borrowings of HK\$395,822,000 (30th June, 2004: HK\$301,831,000) were secured by the following:

- (i) legal charges on all of the Group's investment properties and certain of the Group's properties for sale with carrying values of HK\$1,585,619,000 (30th June, 2004: HK\$1,609,150,000) and HK\$152,837,000 (30th June, 2004: HK\$149,662,000), respectively;
  
- (ii) floating charge over all the assets and undertakings of certain subsidiaries;
  
- (iii) mortgages over the shares of certain subsidiaries; and
  
- (iv) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties.

## 15. RELATED PARTY TRANSACTIONS

Certain related party transactions were carried out in the ordinary course of the business as follows:

	<b>Six months ended</b>	
	<b>31st December</b>	
	<b>2004</b>	2003
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest paid to Cecil Chao & Associates Limited (a)	<b>8,467</b>	6,787
Fees paid to Cecil Chao & Associates Limited (b)		
– building management fee	–	900
– architect and other professional service fees	–	120
Rental income received from (c)		
– Yan Yin Company Limited	<b>30</b>	–
– Cecil Chao & Associates Limited	<b>705</b>	–
Administration fee received from (d)		
– Yan Yin Company Limited	<b>36</b>	–
– Cecil Chao & Associates Limited	<b>120</b>	–
	<u><u>          </u></u>	<u><u>          </u></u>

- (a) Cecil Chao & Associates Limited (“CCAL”) has provided unsecured advances, which have no fixed terms of repayment, to the Group at 2% (30th June, 2004: 2%) above the Hong Kong dollar prime rate. At 31st December 2004, the advances from CCAL amounted to HK\$296,380,000 (30th June, 2004: HK\$178,935,000). CCAL has confirmed that it will not request repayment of these advances until such time as the Group is in a position to repay. Dr. Cecil Sze-Tsung Chao, is a director and beneficial owner of CCAL.
- (b) CCAL rendered architectural and related services to the Group on terms agreed between both parties.
- (c) Certain properties were leased to Yan Yin Company Limited and CCAL as office premises on terms mutually agreed between both parties.
- (d) The Group charged administration fee to Yan Yin Company Limited and CCAL for handling services rendered on terms agreed between both parties.

## 16. POST BALANCE SHEET EVENT

On 14th February, 2005, the Group entered into a provisional sale and purchase agreement with an independent third party to dispose of certain investment properties at a cash consideration of HK\$39,000,000, which will realise a gain on disposal of approximately HK\$24,350,000. The sale and purchase agreement will be completed on 22nd April, 2005.