

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

1. BASIS OF PREPARATION

The interim financial report has been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 June 2004 except for the adoption of the following accounting policy.

Revenue recognition

Income from pre-sale of properties under development prior to completion of the development is recognised over the period from the execution of the sales and purchase agreement to the completion of development on the basis of development cost to date as a proportion of estimated total development cost, with the income recognised limited to the amount of deposits received.

3. SEGMENT INFORMATION

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

	Turnover		Profit (loss) from operations	
	Six months ended		Six months ended	
	31 December		31 December	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
General trading	–	10,808	(4,441)	(4,431)
Property development	40,183	–	20,325	(21,270)
	40,183	10,808	15,884	(25,701)

More than 90% of the Group's turnover was attributable to the operations carried out in Hong Kong.

4. TAXATION

No provision for Hong Kong Profits Tax has been made in the current period condensed financial statements as the estimated assessable profit for the period was wholly absorbed by the tax losses brought forward.

No provision for Hong Kong Profits Tax was made in the previous period condensed financial statements as the Group had no assessable profit for that period.

5. EARNINGS (LOSS) PER SHARE – BASIC

The calculation of the basic earnings (loss) per share is based on the net profit for the period of HK\$15,707,000 (2003: a net loss of HK\$29,129,000) and on 528,271,615 (2003: 528,271,615) ordinary shares in issue during the period.

6. DIVIDEND

No dividends were paid by the Company in both periods.

7. PROPERTY, PLANT AND EQUIPMENT

During the period, depreciation of approximately HK\$1,508,000 (1.7.2003 to 31.12.2003: HK\$1,848,000) were charged in respect of the Group's property, plant and equipment. The addition of property, plant and equipment for the period amounted to approximately HK\$16,000 (1.7.2003 to 31.12.2003: nil).

8. PROPERTIES UNDER DEVELOPMENT

The properties under development are situated in Hong Kong and are held under long leases. They were pledged to a bank to secure the credit facilities granted to the Group.

The directors of the Company estimate that the property development will be completed by 31 May 2005 and the pre-sales of the property development has been commenced on 22 November 2004.

9. SECURED BANK LOANS

	31.12.2004	30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
The bank loans comprise:		
HK\$ term loan	644,617	623,351
US\$ term loan	–	78,000
	<u>644,617</u>	<u>701,351</u>

The HK\$ term loan of HK\$644,617,000 (30.6.2004: HK\$623,351,000) was secured by a first legal charge over the Group's properties under development (the "Property") and a floating charge over all other assets of Holyrood Limited, a wholly-owned subsidiary of the Company. Deposits, rental proceeds and sales proceeds regarding the Property were also assigned to a bank. The HK\$ term loan borne interest at the prevailing market rates and was repayable in full by 30 September 2004.

In January 2005, the bank extended the repayment date of the HK\$ term loan to the earlier of (i) the date falling one and half months from the date of issuance of the occupation permit of the Property; and (ii) 31 March 2005, and revised the aggregate principal amount of the loan from HK\$700,000,000 to HK\$692,879,713. The bank also agreed to extend the repayment date of the HK\$ term loan on a monthly basis until the end of May 2005.

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The US\$ term loan of HK\$78,000,000 at 30 June 2004 was secured by the Group's leasehold land and buildings and was repayable in full by May 2003. While the Group was in the process of discussing with the banker to extend the repayment date of the US\$ term loan, on 30 June 2003 the bank served the Group a statutory demand letter that the US\$ term loan was due for repayment on 30 May 2003, but has not been paid and demanded the Group to repay the overdue US\$ term loan. In September 2004, the bank extended the repayment date of the US\$ term loan to 30 December 2004.

As announced by the Company on 3 December 2004, the Group entered into an agreement with an independent third party of the Company, namely Fine Chiffon Corporation Limited ("Fine Chiffon") that Fine Chiffon agreed to offer an installment loan of HK\$80,000,000 granted from a bank to a wholly-owned subsidiary of the Company to refinance the US\$ term loan (together with the accrued interests and other bank charges) provided that the Company should provide a corporate guarantee of HK\$80,000,000 to the bank and the Group's leasehold land and buildings should be pledged to the bank as security. The installment loan bears interest at the prevailing market rates and shall be repayable by 180 monthly equal instalments.

Details of the loan from Fine Chiffon are set out, inter alia, in the circular of the Company dated 7 February 2005.

10. OTHER LOANS

	31.12.2004	30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other loans from:		
– related companies (<i>note a</i>)	267,698	253,512
– an unrelated company (<i>note b</i>)	34,589	34,589
– an unrelated company (<i>note c</i>)	155,000	155,000
– an unrelated company (<i>note d</i>)	79,633	–
	536,920	443,101
Less: Amounts due within one year shown under current liabilities	(461,748)	–
Amounts due after one year	75,172	443,101

Notes:

- (a) The loans are owed to companies in which a director of subsidiaries and/or Messrs. Oung Shih Hua James, Chen Te Kuang Mike and Law Fong, directors of the Company, have controlling interests. The loans are unsecured, non-interest bearing and repayable on demand.
- (b) The loan is unsecured, non-interest bearing and repayable on demand.
- (c) The loan is secured, interest bearing at 2% per annum and repayable on the earlier of (i) the date falling the last date of the six months period after the date of the issuance of the occupation permit of the Property; and (ii) 1 October 2004 (the "Maturity Date"). Repayment of this loan is subordinated to the HK\$ term loan obtained from a bank (together with the accrued interest and other bank charges) referred to note 9 being repaid in full.

In addition, the Group agreed to pay the lender an amount equivalent to 10% of the excess of the value of the properties under development as of 8 October 2004 performed by an independent professional valuer on an open market value basis over HK\$660 million (the "Additional Amount"). The Additional Amount shall be due for payment on the expiration of 31 days after the Maturity Date (i.e. 1 November 2004).

The directors of the Company estimated that the Additional Amount would be HK\$135,800,000. At 31 December 2004, the Group has fully recognised the Additional Amount of HK\$135,800,000 as liability of which a portion of the Additional Amount was recognised on a time basis, amounting to HK\$94,185,000, as liability at 30 June 2004 and these amounts were included in other payables at the balance sheet dates.

The Group is now in the process of soliciting the lender to extend the repayment dates of other loan of HK\$155,000,000 and the Additional Amount of HK\$135,800,000 which were due for repayment on 1 October 2004 and 1 November 2004 respectively. The directors of the Company are of the opinion that the Group can solicit the lender to extend the repayment dates of the above borrowings within a short period of time.

- (d) The loan is owned to Fine Chiffon, an independent third party of the Company. The loan is secured, interest bearing at the prevailing market rates and repayable by 180 monthly equal instalments. Details of the loan from Fine Chiffon are set out in note 9.

11. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or prior interim reporting periods.

12. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to secure credit facilities granted to the Group.

	31.12.2004	30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties under development	1,192,033	1,121,099
Leasehold land and buildings	123,518	125,000
Bank deposits	10,097	10,631
	<u>1,325,648</u>	<u>1,256,730</u>

The issued ordinary shares of Holyrood were also pledged to a bank to secure credit facilities granted to the Group (also see note 9).

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group are re-development of a property project at Nos. 8, 10 and 12 Peak Road (the "Peak Road Project") and trading of textiles.

BUSINESS REVIEW AND PROSPECTS

Re-development

The Peak Road Project located at Nos. 8, 10 and 12 Peak Road, Hong Kong consists of 34 apartment units and a 3-storey private house and the gross floor area is approximately 119,000 square feet. The Company currently expects that the Peak Road Project will be completed by 31 May 2005 and the Company commenced the pre-sale of the Peak Road Project on 22 November 2004. 11 apartment units have been sold up to 31 December 2004. The sales proceeds were approximately HK\$540 million and approximately HK\$50 million of the sales proceeds were received as deposits in accordance with the sale and purchase agreements up to 31 December 2004.

The sales of the Peak Road Project under legally-binding agreements are recognised by reference to the stage of completion of the re-development, with the income recognised limited to the amount of deposits received. As a result, turnover of approximately HK\$40 million was recognised for the six months ended 31 December 2004.

The returns from the Peak Road Project will significantly improve the Group's financial position.

Trading of textiles

The management of the Company is currently focusing the resources of the Group on the development, completion and marketing of the Peak Road Project. As a result, no sales have yet been made by the textile trading arm of the Group for the six months ended 31 December 2004.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2004, net current liabilities of the Group were approximately HK\$1,350 million. The current ratio was 0.93. The pledged bank deposits, bank balances and cash were approximately HK\$10 million.

As at 31 December 2004, the Group has outstanding liabilities of approximately HK\$1,425 million comprising (i) secured bank loans and bank overdrafts of approximately HK\$645 million, (ii) other loans and amounts directors of subsidiaries of approximately HK\$570 million and (iii) customers' deposits received, accrued interest, other payables and taxation payable of approximately HK\$210 million. The bank borrowings are on floating interest rates basis.

The majority of the Group's assets and borrowings are denominated either in Hong Kong dollars or US dollars thereby avoiding exposure to undesirable exchange rate fluctuations. In view of the stability of the exchange rate of HK dollars and US dollars, the directors consider that the Group has no significant exposure to exchange fluctuation and does not pledge against foreign exchange risk.

The Group's bank loans and other loans were secured by leasehold land and buildings, bank deposits and properties under development of approximately HK\$1,326 million. The issued ordinary shares of a wholly-owned subsidiary of the Company, Holyrood Limited, were also pledged to a bank to secure credit facilities granted to the Group.

The Directors consider that it is not meaningful to publish a gearing ratio for the Group until such time as the Group is in a positive shareholders' equity position.