NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

These unaudited condensed consolidated financial statements has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2005.

2. Accounting policies

The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 March, 2005 except that the Group has changed certain of its accounting policies following its adoption of a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods commencing on or after 1st January, 2005.

The adoption of the new HKFRSs has had no material impact on the Group's accounting policies and the methods of computation in the Group's condensed consolidated financial statements for the six months ended 30 September 2005, except the followings:

(i) The adoption of HKASs 32 and 39 has resulted in a change of accounting policy for recognition, measurement and disclosure of financial instruments. Until 31 March 2005, investments of the Group were classified as long term investments stated at cost less any provision for impairment losses and short term investments stated at fair value in the balance sheet.

In accordance with HKAS 39, the investments have been reclassified into available-for-sale investments and listed investments respectively. Available-for-sale investments and listed investments are stated in the balance sheet at fair value. Realized and unrealized gains and losses arising from changes in the fair value of listed investments are included in the profit and loss accounts in the period in which they arise. Unrealized gains and losses arising from the changes in fair value of available-for-sale investments are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated gain or loss previously reported in equity is included in the profit and loss account.

The Application of the HKAS 39 has resulted in a change in the presentation and it had no material impact on the accounting policies of the Group.

2. **Accounting policies** *(Continued)*

(ii) The adoption of HKFRS 3, HKASs 36 and 38 resulted in a change in the accounting policy for goodwill. Until 31 March 2005, goodwill was amortised on a straight line basis over its estimated useful life and the carrying amount was reviewed annually and written down for impairment when necessary while the negative goodwill is recognised as income in the profit and loss account when the future losses and expenses were recognised.

In accordance with the provisions for HKFRS 3:

- The goodwill is no longer amortization from 1 April 2005 but subject to an annual impairment review;

- Accumulated amortization for goodwill at 31 March 2005 has been eliminated with corresponding decrease in the cost of goodwill;

- Any excess of the Group's share of the fair values of the identifiable assets and liabilities acquired at the date of acquisition over the cost of the acquisition is recognised immediately in the profit and loss account. In accordance with the provision of HKFRS 3, the previously recognised negative goodwill was derecognised at 1 April 2005 with a corresponding adjustment to the accumulated losses.

Effect on opening balance of total equity at 1 April 2005 following the adoption of HKFRS 3 is set out below:

	At 1 April 2005 (Unaudited) *HK$'000*
Decrease in accumulated losses	541

3. Segmental information

(a) Business segments

The following tables present revenues and results of the Group's business segments for the six months ended 30 September 2005 and 2004 respectively:

	General import and export trading	Securities dealing and broking	Financing	Property development and investment	Strategic investments	Corporate	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005									
Segment revenue:									
External sales	42,118	4,158	1,592	–	–	–	–	–	47,868
Other revenue	503	1,766	231	–	20	295	1	–	2,816
Inter-segment sales	–	126	–	600	–	7,053	–	(7,779)	–
Total revenue	42,621	6,050	1,823	600	20	7,348	1	(7,779)	50,684
Segment results	1,512	1,108	1,286	(21)	(3,191)	101	(2,431)	(125)	(1,761)
Unallocated income									125
Loss from operations									(1,636)
Finance costs									(3,294)
Loss before taxation									(4,930)
Taxation									(200)
Loss for the period									(5,130)

3. **Segmental information** *(Continued)*

(a) **Business segments** *(Continued)*

	General import and export trading	Securities dealing and broking	Financing	Property development and investment	Strategic investments	Corporate	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2004									
Segment revenue:									
External sales	46,294	5,166	787	–	–	–	–	–	52,247
Other revenue	176	349	3,337	–	23,919	2	9	–	27,792
Inter-segment sales	–	716	–	480	–	6,758	–	(7,954)	–
Total revenue	46,470	6,231	4,124	480	23,919	6,760	9	(7,954)	80,039
Segment results	807	3,717	2,864	(138)	(3,226)	(1,313)	(7,987)	–	(5,276)
Unallocated income									21
Loss from operations									(5,255)
Finance costs									(3,642)
Loss before taxation									(8,897)
Taxation									(250)
Loss for the period									(9,147)

(b) **Geographical segments**

The following table presents revenue of the Group's geographical segments for the six months ended 30 September 2005 and 2004 respectively:

	2005	2004
	HK$'000	*HK$'000*
Hong Kong	**28,798**	18,867
Europe	**19,070**	32,802
Others	–	578
	47,868	52,247

4. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**385**	698
Staff costs	**6,869**	6,275

5. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the current period.

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong		
Provision of Profits Tax for current period	**(200)**	(250)

6. Dividends

The Board do not recommend the payment of any interim dividend for the six months ended 30 September 2005.

For the six months ended 30 September 2004, the Board had declared to pay an interim dividend of HK$0.025 ("Cash Dividend") for every 100 shares of the Company totaling HK$468,000. Other than the Cash Dividend, the Board also proposed an interim dividend in specie that was satisfied by the distribution of one share of each of M Dream Inworld Limited ("M Dream") and B.A.L. Holdings Limited ("B.A.L.") and two shares of Riverhill Holdings Limited ("Riverhill") for every 100 shares of the Company held at 6 January 2005. On the basis of 1,871,188,679 issued shares of the Company at that time, 18,711,887 shares of each of M Dream and B.A.L. and 37,423,774 shares of Riverhill were distributed ("Distribution Shares"). The net carrying value of the Distribution Shares at 30 September 2004 was approximately HK$1,676,000.

7. Loss per share

The calculation of loss per share is based on the loss attributable to shareholders of the Company of approximately HK$2,987,000 for the six months ended 30 September 2005 (2004: HK$7,330,000) and the weighted average number of 1,871,188,679 shares (2004: 1,871,188,679 shares) in issue during the period.

Diluted loss per share for the periods ended 30 September 2005 and 2004 have not been disclosed, as the options outstanding during both periods had an anti-dilutive effect on the basic loss per share for these periods.

8. Loans receivable

The ageing analysis of loans receivable is as follows:

	As at 30 September 2005 (Unaudited) *HK$'000*	As at 31 March 2005 (Audited) *HK$'000*
Within 6 months	**11,618**	39,788
7 to 12 months	**32,182**	4,205
Over 1 year	**51,142**	50,400
	94,942	94,393
Provision for doubtful debts	**(47,656)**	(49,144)
	47,286	45,249

9. Accounts receivable

The ageing analysis of accounts receivable is as follows:

	As at 30 September 2005 (Unaudited) *HK$'000*	As at 31 March 2005 (Audited) *HK$'000*
Within 6 months	**14,154**	8,309
7 to 12 months	**260**	531
Over 1 year	**474**	500
	14,888	9,340
Provision for doubtful debts	**(244)**	(702)
	14,644	8,638

10. Accounts payable, other payables and accruals

The ageing analysis of accounts payable is as follows:

	As at 30 September 2005 (Unaudited)	As at 31 March 2005 (Audited)
	HK$'000	*HK$'000*
Within 6 months	**10,449**	7,737
7 to 12 months	**1,850**	116
Over 1 year	**3,102**	3,066
Accounts payable	**15,401**	10,919
Other payables and accruals	**12,165**	13,034
	27,566	23,953

11. Interest-bearing bank loans

	As at 30 September 2005 (Unaudited)	As at 31 March 2005 (Audited)
	HK$'000	*HK$'000*
Bank loans, secured	**107,340**	103,800
Bank overdrafts, secured	**5,754**	5,951
Total bank loans	**113,094**	109,751
Less: Portion classified as current liabilities	**(94,522)**	(48,800)
Long term portion	**18,572**	60,951
Bank loans and overdrafts are repayable:		
Within one year	**94,522**	48,800
In the second year	**1,896**	46,657
In the third to fifth years, inclusive	**5,688**	5,688
Beyond five years	**10,988**	8,606
	113,094	109,751

11. Interest-bearing bank loans *(Continued)*

The Group's bank loans and overdrafts are secured by:

(i) The Group's investment property and property held for redevelopment situated in Hong Kong;

(ii) The Group's time deposit; and

(iii) The Group's investment in a joint venture.

At 30 September 2005, the interest-bearing bank loan of HK$86.87 million was relating to and secured by the investment in a contractual joint venture in the PRC ("CJV") which operates the Sheng Dong Section of the National Highway 318 in Wuhan ("Toll Road"). Pursuant to the loan agreement entered into in December 2000, the loan will be expired on 28 December 2005. The maturity date of the loan was subsequently approved to extend to 20 August 2008 by the bank on 25 September 2003, pending completion of extension procedures by end of 2004 as requested by the bank. However, as a result of the relocation of the toll station of the Toll Road by the PRC CJV partner unilaterally (details set out in the section of Management Discussion and Analysis), the Group, receiving no dividend from the CJV since then, is only able to pay the due interests but not the loan principal according to the repayment schedule as set out in the loan agreement. The bank was informed of the relocation of the toll station and it had not formally demanded the payment of the whole outstanding balance of the loan until 19 October and 2 November 2005 on which dates the Group received the repayment reminders from the bank stating that it has the right to take legal actions to recover the outstanding loan balance in whole and to charge penalty interests if the Group fails to repay the outstanding loan in whole before the maturity date, 28 December 2005. The Group has been continuously updating the bank with the latest status of the arbitration in Wuhan and is now liaising with the bank to extend the maturity date of the loan. As a prudent treatment, the whole loan was reclassified as current liabilities during the period under review. Further announcement will be made if necessary.

12. Share capital

	As at 30 September 2005 (Unaudited)	As at 31 March 2005 (Audited)
	HK$'000	*HK$'000*
Authorised:		
200,000,000,000 ordinary shares of HK$0.01 each	2,000,000	2,000,000
Issued and fully paid:		
1,871,188,679 ordinary shares of HK$0.01 each	18,712	18,712

13. Contingent liabilities

At 30 September 2005, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK$21.0 million (31 March 2005: HK$18.1 million) had been utilized at 30 September 2005.

14. Litigation

(1) In December 2004, the Company received a writ of summons from the solicitors acting for C.A. Pacific Finance Limited (in liquidation) to claim a sum of HK$1,197,349.50 (the "Claimed Amount") due by Eastex Investment Far East Limited (formerly known as Styland Investment Far East Limited), a former subsidiary of the Company that was disposed in December 1997 (the "CAP Case"). After seeking legal advices, the Company has filed a defence to deny the claim. In view of the foregoing and that the Claimed Amount is relatively small compared to the net assets value of the Company, the Directors do not consider the CAP Case having a material impact on the Company.

(2) In June 2003, Hainan Wanzhong Shiye Touzi Co., Ltd. (海南萬眾實業投資有限公司) ("Hainan Wanzhong") sued Wuhan Shengda Fangdichan Kaifa Co., Ltd. (武漢盛達房地產開發有限公司) ("Shengda Fangdichan") and Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da"), a non-wholly owned subsidiary of the Company, for repayment of a debt in the sum of RMB19,270,000, interest thereon and legal costs (the "Shengda Case"). Both Hainan Wanzhong and Shengda Fangdichan are companies incorporated in the PRC and independent to the Company. The reason for Sheng Da to be involved in the Shengda Case was that Hainan Wanzhong alleged that Shengda Fangdichan held shareholding interest in and had a receivable due from Sheng Da. On 22 August 2003, the court of Hainan issued a Notice of Assistance in Execution against Wuhan Dongseng Highway Building Development Co. Limited, in which Sheng Da has 48.67% shareholding interest, requesting for retaining the dividend to be distributed to Sheng Da up to RMB19,270,000 ("Retained Amount") until the dispute is resolved.

The Board understands that the Shengda Case related to an agreement executed by Sheng Da in 1995. Pursuant to shareholders' resolutions passed in 2003, three existing shareholders ("Old Shareholders") of Sheng Da who in total currently holds 44.32% interest in Sheng Da and have been being the shareholders of Sheng Da before the Company initially acquired any interests in Sheng Da in 1997, undertook that they would bear any liability and relevant costs arising from the Shengda Case ("Undertaking"). In March 2005, Sheng Da received a letter from the Old Shareholders denying bearing such liability and legal costs. Nevertheless, the Directors consider that:

14. Litigation *(Continued)*

(i) the Group is not liable for any debt arising from the Shengda Case;

(ii) the subject of the Shengda Case was to claim for receivable due from Shengda Fangdichan to Hainan Wanzhong and Sheng Da should not be claimed for;

(iii) the Group will not accept the withdrawal of the Undertaking by the Old Shareholders unilaterally and any future dividend or distribution payable to the Old Shareholders shall still be retained by Sheng Da to set off the Retained Amount. As such, there will be no material financial impact to the Group.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.