

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance 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 ("Stock Exchange") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March, 2005 apart from the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (collectively the "HKFRSs"), issued by HKICPA that are effective for accounting periods beginning on or after 1st January, 2005.

In connection with the adoption of the HKFRSs, the Group has applied certain new accounting policies in accordance with the transitional provisions as set out in the relevant HKFRSs. Where required, these new HKFRSs have been applied retrospectively. In addition, certain comparative figures have been reclassified to confirm with the current period presentation. The major changes to accounting policies and the effects on the Group's income statement and shareholders' equity are set out as follows:

(a) *Investment Properties*

In previous periods, investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the property revaluation reserve was charged to the income statement. Where a decrease had previously been charged and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In accordance with HKAS 40 – "Investment Property", the Group has elected to use the fair value model to account for its investment properties which required gains or losses arising from changes in fair value of investment properties to be recognised directly in the income statement in the period in which they arise. Accordingly, an approximate amount of HK\$353.3 million has been recognised in the Period.

The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply the standard from 1st April, 2005 onwards. An approximate amount of HK\$254.6 million held in the property revaluation reserve as at 1st April, 2005 has been transferred to the Group's retained profits. No adjustment has been made on 2005 comparative figures.

(b) *Deferred Taxation Related to Investment Properties*

In previous period, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale. Upon the adoption of HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets", the deferred tax consequences of the investment properties are assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date.

In the absence of any specific transitional provisions in HKAS Interpretation 21, this change in accounting policy has been applied retrospectively. As a result, the Group's shareholders' equity as at 31st March, 2005 has been decreased by approximately HK\$24.9 million, which represents the net increase in deferred taxation liabilities. The deferred taxation directly charged to the income statement for the six months ended 30th September, 2005 has been increased by approximately HK\$62.3 million (2004: HK\$25.9 million).

(c) *Negative Goodwill*

In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2005 was capitalised and was presented as a deduction from assets and released to the consolidated income statement based on an analysis of the circumstance from which the balance resulted.

The Group has applied HKFRS 3 – "Business Combinations" prospectively from 1st January, 2005. Negative goodwill arising from acquisitions on or after 1st January, 2005 is credited to the consolidated income statement. In accordance with the transitional provisions of HKFRS 3, the carrying amount of negative goodwill that arose from acquisitions prior to 1st January, 2005 should be derecognised with a corresponding increase in retained profits as at 1st April, 2005. Accordingly, negative goodwill of approximately HK\$12.1 million was derecognised.

(d) *Share-based Payment*

The Group has granted share options to certain employees for their services rendered to subscribe for shares of the Company in accordance with the Company's share option scheme. Prior to the application of HKFRS 2 "Share-based Payment", the Group did not recognise the financial effect of the share options until they were exercised.

In the current period, the Group has applied HKFRS 2 which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options of the Company determined at the date of grant of the share options over the vesting period.

The Group has applied HKFRS 2 to share options granted on or after 1st April, 2005. This change has no effect on the Group's shareholders' equity. The effect of this change on the income statement for the period ended 30th September, 2005 is to increase the expenses of approximately HK\$4.7 million (2004: Nil).

(e) *Hotel Property*

In previous periods, no depreciation was provided on the building element of the hotel property on the basis that it was maintained in a continuous state of sound repair such that, given the estimated life of the hotel property and its residual value, any depreciation was immaterial.

With effect from 1st April, 2005, on adoption of HKAS Interpretation 21, the Group's building element of the hotel property is amortised over its useful life on a straight-line basis and is stated at cost less accumulated depreciation and impairment. These new accounting policies have been applied retrospectively. The shareholders' equity as at 31st March, 2005 were restated and decreased by approximately HK\$38.9 million. The change has increased depreciation charge to the consolidated income statement for the six months ended 30th September, 2005 by HK\$2.4 million (2004: HK\$2.4 million).

(f) *Financial assets and liabilities*

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurements.

From 1st April, 2005, the Group classified and measured its financial assets and liabilities in accordance with the relevant provisions of HKAS 39. As the financial effect is immaterial, no adjustment has been made to the carrying amounts of assets and liabilities and the Group's retained profits as at 1st April, 2005 and profit for the Period.

3. SEGMENT INFORMATION

For management purpose, the Group is currently organised into eight operating divisions, namely, lease of properties, sales of properties, printing and publishing, securities brokerage and consultancy, wholesaling and retailing of furniture, hotel and restaurant operations, and sales of marine products. These divisions are the basis on which the Group reports its primary segment information.

	Segment revenue		Segment results	
	Six months ended 30th September,		Six months ended 30th September,	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000	2005 (unaudited) HK\$'000	2004 (unaudited and restated) HK\$'000
Business segments				
<i>Continuing operations:</i>				
Lease of properties	62,581	44,232	511,615	186,594
Sales of properties	247	273	(390)	1,331
Securities brokerage and consultancy	63,002	55,798	43,415	35,513
Hotel operation	28,644	23,225	501	(4,023)
Others	337	369	153	(249)
	154,811	123,897	555,294	219,166
<i>Discontinued operations:</i>				
Printing and publishing	231,765	213,037	4,169	5,208
Wholesaling and retailing of furniture	76,572	59,608	1,092	(2,945)
Restaurant	11,776	12,725	(151)	(643)
Sales of marine products	22,009	8,668	819	(245)
	342,122	294,038	5,929	1,375
	496,933	417,935	561,223	220,541
Interest income			487	572
Corporate general and administrative expenses			(20,247)	(22,863)
Finance costs			(29,023)	(6,329)
Share of associates' results after taxation			6,816	5,455
Taxation			(68,541)	(31,610)
Profit after taxation			450,715	165,766

4. DISCONTINUED OPERATIONS

The Group entered into agreement to dispose of wholesaling and retailing of furniture, printing and publishing and restaurant and had discontinued sales of marine products businesses. Their operating results are as follows:

	Six months ended 30th September,	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Turnover	342,122	294,038
Expenses	(336,193)	(292,663)
Operating results	5,929	1,375
Interest income	53	7
Finance costs	(956)	(662)
Taxation	-	-
Profit after taxation	5,026	720

5. PROFIT FROM OPERATIONS

Profit from operations for the Period has been arrived at after charging depreciation of approximately HK\$27,827,000 (2004: HK\$27,751,000) in respect of the Group's property, plant and equipment and crediting dividend income from listed securities of approximately HK\$68,000 (2004: HK\$24,000).

6. TAXATION

	Six months ended 30th September,	
	2005 (unaudited) HK\$'000	2004 (unaudited and restated) HK\$'000
The charge comprises:		
Hong Kong Profits Tax attributable to the Group	(4,185)	(3,321)
Deferred taxation	(64,356)	(28,289)
	(68,541)	(31,610)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods.

7. EARNINGS PER SHARE

	Six months ended 30th September,	
	2005 (unaudited) HK\$'000	2004 (unaudited and restated) HK\$'000
The calculation of basic and diluted earnings per share is based on the following data:		
Profit attributable to shareholders for the purpose of calculating basic and diluted earnings per share	446,635	166,342

	Number of shares	
Number of ordinary shares after adjusting for the effect of the 1 to 10 share subdivision effective on 4th January, 2005 for the purpose of calculating basic earnings per share	1,122,678,181	863,293,520
Effect of dilutive potential ordinary shares from share options	5,573,770	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,128,251,951	863,293,520

8. INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of HK\$0.05 per share for the Period (2004: HK\$0.033 per share adjusted for the effect of the 1 to 10 share subdivision), amounting to approximately HK\$56.1 million (2004: HK\$28.5 million).

9. ADDITIONS TO INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired investment properties and property, plant and equipment amounting to approximately HK\$269,115,000 and HK\$9,987,000 (2004: HK\$650,600,600 and HK\$8,299,000) respectively.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

In general, the Group grants credit periods ranging from 180 days to 365 days to its customers of its securities brokerage business. However, no age analysis is disclosed in respect of certain loans to clients of the securities brokerage business as in the opinion of the directors, the age analysis does not give relevant information in view of the nature of the loans.

The figures as at 31st March, 2005 includes debtors of the trading business and printing and publishing business to which credit periods ranging from 30 days to 180 days were granted.

The following is an age analysis of trade debtors as at the balance sheet date:

	30th September, 2005 (unaudited)	31st March, 2005 (audited and restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	43,785	65,364
31 – 90 days	432	22,124
91 – 180 days	87,101	12,070
Over 180 days	33,024	92,022
	164,342	191,580
Other receivables, deposits and prepayments	133,578	126,905
	297,920	318,485

11. CREDITORS, CUSTOMER DEPOSITS AND ACCRUED CHARGES

The following is an age analysis of trade creditors as at the balance sheet date:

	30th September, 2005 (unaudited)	31st March, 2005 (audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	110,140	162,167
91 – 180 days	1	3,385
Over 180 days	2,816	5,907
	112,957	171,459
Other payables, deposits and accruals	92,391	155,366
	205,348	326,825

12. CONTINGENCIES AND COMMITMENTS

Contingent liability

	30th September, 2005 (unaudited)		31st March, 2005 (audited)	
	Guarantees given HK\$'000	Amount utilised HK\$'000	Guarantees given HK\$'000	Amount utilised HK\$'000
Guarantees given to a bank in respect of mortgage loans granted to the purchasers of properties	3,451	3,451	4,244	4,244

Capital commitments

	30th September, 2005 (unaudited) HK\$'000	31st March, 2005 (audited) HK\$'000
Authorised but not contracted for in respect of:		
– property investment and development projects	434,155	432,959
Contracted for but not provided in the financial statements, net of deposits paid, in respect of:		
– investment properties	161,888	180,200
– property investment and development projects	30,401	28,757
	626,444	641,916

13. RELATED PARTY TRANSACTIONS

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

	Six months ended 30th September,"	
	2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
Advertising income received from an associate and related companies (<i>note ii</i>)	1,022	767
Management fees received from an associate and related companies (<i>note ii</i>)	1,369	780
Rental received from related companies (<i>note ii</i>)	4,279	4,003
Professional and service fees received from an associate and related companies (<i>note ii</i>)	1,390	1,158
Sale of furniture to an associate (<i>note ii</i>)	886	-
Interest paid to a shareholder (<i>note iii</i>)	3,113	166
Fair value of share options granted to directors	4,655	-
Advertising expenses paid to related companies (<i>note ii</i>)	-	544

Notes:

- (i) A director and a substantial shareholder of the Company have beneficial interests in the related companies.
- (ii) These transactions were carried out after negotiations between the Group and the related parties and on the basis of estimated market value as determined by the Directors of the Company.
- (iii) The interest is calculated by reference to the principal outstanding and at the prevailing market interest rates.