NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

The accounting policies and basis of preparation adopted in the condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2006.

Going concern

The Group depends on finance from banks, a related company and a director, who is also a substantial shareholder of the Company, to fund its operations and development projects.

The related company and the director have confirmed that they will not request repayment of the amount due until such time as the Group is in a position to repay.

Based on the Group's existing banking facilities and the advances obtained from a director and the related parties, 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. SEGMENT INFORMATION

An analysis of the Group's turnover and profit from operations by principal activities is as follows:

	Turnover		Profit from operations	
	Six months ended 31 December		**Six months ended 31 December**	
	2006	2005	**2006**	2005
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Property sales	**11,894**	–	**68**	–
Property rental	**16,577**	12,302	**11,814**	8,057
Estate management	**1,122**	1,160	**988**	740
Others	**561**	247	**561**	247
	30,154	13,709	**13,431**	9,044
Other income			**5,823**	93,483
Change in fair value of investment properties			**312,114**	15,586
Unallocated operating expenses			**(9,135)**	(5,688)
Profit from operations			**322,233**	112,425

3. OTHER INCOME

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain on disposal of partial interests in a subsidiary	**4,849**	–
Net gain on disposal of financial assets at fair value through profit or loss	**25**	–
Change in fair value of financial assets at fair value through profit or loss	**114**	–
Recovery of bad debts previously written off	**63**	–
Excess of Group's interest in fair value of acquirer's net assets over cost *(note)*	**–**	93,483
Sundry income	**772**	–
	5,823	93,483

Note:

On 22 September 2005, the Group, through a wholly owned subsidiary, acquired 99% interest in Top Regent (Asia) Limited, which is the registered and beneficial owner of a piece of land located in Macau. The consideration for the acquisition include a cash consideration of HK$800 million.

3. OTHER INCOME (continued)

The fair value of the identifiable assets and liabilities of the business as at the date of acquisition and their carrying value determined in accordance with Hong Kong Financial Reporting Standards immediately before combination are as follows:

	Carrying value	Fair value
	HK$'000	*HK$'000*
Premium for land lease	31,972	1,050,000
Other payables and accruals	(32,031)	(44,000)
Deferred tax liabilities	–	(117,700)
Net assets acquired	(59)	888,300
Consideration		
Cash paid		800,000
Discount on early settlement of consideration		(5,706)
Directly attributable costs		523
		794,817
Excess of Group's interest in fair value of acquiree's net assets over costs		93,483

4. PROFIT BEFORE TAXATION

This is stated after charging the following:

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(a) Other items		
Depreciation	**279**	304
Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**2,897**	1,293
Retirement scheme contributions	**89**	66
Cost of properties sold	**11,826**	–
(b) Finance costs		
Interest on bank loans and overdrafts wholly repayable within five years	**22,522**	19,305
Interest on advances from a related company	**1,584**	6,948
Interest on advances from a director	**13,883**	–
Other incidental borrowing costs	**139**	116
Total borrowing costs	**38,128**	26,369
Less: Borrowing costs capitalised in properties under development	**(26,015)**	(15,402)
	12,113	10,967

5. TAXATION

Hong Kong Profits Tax has not been provided for the period as the Group has no assessable profits for the six months ended 31 December 2006.

The income tax provision in respect of operations in overseas is calculated at the applicable tax rates on the estimated assessable profits for the period based on the existing legislation, interpretations and practices in respect thereof.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred tax		
Origination of temporary differences	**44,570**	3,809
	44,570	3,809

6. DIVIDENDS

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend paid of HK17 cents (31 December 2005: HK15 cents) per share	**14,915**	10,977
Interim dividend proposed of HK5.5 cents (31 December 2005: HK4.5 cents) per share	**11,875**	3,419
	26,790	14,396

During the period, scrip dividend alternative was offered to shareholders in respect of 2006 final dividends. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2006	2005
	final	interim
	HK$'000	*HK$'000*
Dividends:		
Cash	**13,297**	1,163
Share alternative	**1,618**	9,814
	14,915	10,977

Note: An interim dividend in respect of 2007 of HK5.5 cents per share amounting to approximately HK$11,875,000 has been proposed by the board of directors after the balance sheet date. The proposed dividend is not reflected as dividend payable in the condensed balance sheet but will be reflected as an appropriation of retained profits in the year ending 30 June 2007.

7. EARNINGS PER SHARE

The calculation of earnings per share for the period is based on the net profit attributable to equity holders of the Company for the period of HK$265,937,000 (2005: HK$97,649,000) and the weighted average number of 102,072,470 ordinary shares (2005: 76,343,926 ordinary shares) in issue during the period. The weighted average number of share in issued used in the basic earnings per share calculation for the period ended 31 December 2005 has been adjusted to reflect the effect of rights issue during the period which is treated as had been completed on 1 July 2005.

Diluted earnings per share has not been presented because there was no potential dilutive share in issue during both periods.

8. TRADE AND OTHER RECEIVABLES

	At 31 December 2006 (Unaudited) *HK$'000*	At 30 June 2006 (Audited) *HK$'000*
Trade receivables	**461**	563
Prepayments, deposits and other receivables	**5,414**	4,390
	5,875	4,953

The Group maintains a controlled credit policy to minimise any credit risk associated with trade receivables. The ageing analysis of the trade receivables (net of impairment for bad and doubtful debts) is as follows:

	At 31 December 2006 (Unaudited) *HK$'000*	At 30 June 2006 (Audited) *HK$'000*
0 – 30 days	**175**	324
31 – 60 days	**123**	101
61 – 90 days	**36**	21
Over 90 days	**127**	117
	461	563

9. TRADE AND OTHER PAYABLES

	At 31 December 2006 (Unaudited) *HK$'000*	At 30 June 2006 (Audited) *HK$'000*
Trade payables	**1,382**	1,356
Accrued charges and other payables	**111,580**	94,604
	112,962	95,960

The ageing analysis of the trade payables is as follows:

	At 31 December 2006 (Unaudited) *HK$'000*	At 30 June 2006 (Audited) *HK$'000*
0 – 30 days	**117**	95
31 – 60 days	**47**	44
61 – 90 days	**41**	41
Over 90 days	**1,177**	1,176
	1,382	1,356

10. SHARE CAPITAL

	Authorised		Issued and fully paid	
	No. of shares	*HK$'000*	*No. of shares*	*HK$'000*
At 1 July 2006 ordinary shares of HK$0.10 each	10,000,000,000	1,000,000	76,737,336	7,674
Issue of shares pursuant to scrip dividend scheme *(note 1)*	–	–	404,382	40
Issue of shares upon placement of shares *(note 2)*	–	–	21,000,000	2,100
Issue of shares by right issue *(note 3)*	–	–	87,737,336	8,774
At 31 December 2006	**10,000,000,000**	**1,000,000**	**185,879,054**	**18,588**

Notes:

1. On 21 November 2006, the Company issued and allotted a total of 404,382 ordinary shares of HK$0.10 each in the Company at HK$4 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2006 final dividend pursuant to the scrip dividend scheme announced by the Company on 1 November 2006. An amount of HK$1,577,000 in excess of par value was credited to the share premium account. These shares rank pari passu with the existing shares of the Company in all respects.

2.(a) Pursuant to a placing agreement dated 28 July 2006 made between Yan Yin Company Limited ("Yan Yin"), a company beneficially owned by Dr. Chao Sze-Tsung Cecil, and Citigroup Global Markets Limited ("Citigroup"), Citigroup agreed to place 11,000,000 shares in the Company held by Yan Yin at a placing price of HK$4 per share.

Pursuant to a subscription agreement also dated 28 July 2006 made between the Company and Yan Yin, the Company agreed to allot and issue 11,000,000 new shares in the Company to Yan Yin at a subscription price of HK$4 per share.

On completion of the subscription on 11 August 2006, 11,000,000 shares of HK$0.10 each were issued and allotted to Yan Yin at a consideration of HK$4 per share. The net proceeds were used for repayment of bank borrowings of the Group and for additional working capital. These shares rank pari passu with the existing shares of the Company in all respects.

2.(b) Pursuant to a placing agreement dated 4 December 2006 made between Yan Yin and Value Partners Limited ("Value Partners"), Value Partners agreed to place 10,000,000 shares in the Company held by Yan Yin at a placing price of HK$4 per share.

Pursuant to a subscription agreement also dated 4 December 2006 made between the Company and Yan Yin, the Company agreed to allot and issue 10,000,000 new shares in the Company to Yan Yin at a subscription price of HK$4 per share.

On completion of the subscription on 15 December 2006, 10,000,000 shares of HK$0.10 each were issued and allotted to Yan Yin at a consideration of HK$4 per share. The net proceeds were used for repayment of bank borrowings of the Group. These shares rank pari passu with the existing shares of the Company in all respects.

3. Pursuant to resolutions passed by the shareholders of the Company in an extraordinary general meeting held on 14 November 2006, 87,737,336 new shares of HK$0.10 each were issued at a price of HK$4 per rights share by way of rights issue on the basis of one right share for every existing shares held on 14 November 2006. The rights shares were issued to the shareholders on 5 December 2006. The net proceeds were used to reduce the overall indebtedness of the Group and for additional working capital. These shares rank pari passu with the existing shares of the Company in all respects.

11. CAPITAL COMMITMENTS

	At 31 December 2006 (Unaudited) ***HK$'000***	At 30 June 2006 (Audited) *HK$'000*
Capital commitments in respect of properties under development outstanding not provided for in the condensed consolidated interim financial statements are as follows:		
Authorised but not contracted for	**58,854**	50,250
Contracted but not provided for	**332,553**	163,807
	391,407	214,057

12. CONTINGENT LIABILITIES

The Company and two subsidiaries have executed corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries to the extent of HK$1,951,978,000 (30 June 2006: HK$1,777,537,000) of which HK$1,118,250,000 (30 June 2006: HK$1,184,454,000) was utilised as at 31 December 2006.

13. PLEDGE OF ASSETS

At 31 December 2006, the Group's total bank borrowings of HK$1,118,250,000 (30 June 2006: HK$1,184,454,000) were secured by the following:

(i) legal charges on certain of the Group's investment properties and certain of the Group's properties for sale with carrying values of HK$3,051,187,000 (30 June 2006: HK$2,734,572,000) and HK$947,589,000 (30 June 2006: HK$655,562,000), 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.

14. SIGNIFICANT RELATED PARTY TRANSACTIONS

Details of significant related party transactions which were carried out in the ordinary course of the business are as follows:

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Salaries and other short term employee benefits paid to key management personnel, including amounts paid to the Company's directors	**1,409**	1,309
Interest paid to Cecil Chao & Associates Limited (a)	**1,584**	6,948
Interest paid to Dr. Chao Sze-Tsung Cecil (b)	**13,883**	–
Architect and other professional service fees paid to Cecil Chao & Associates Limited (c)	**12,749**	966
Rental income received from (d)		
Yan Yin Company Limited	**30**	30
Cecil Chao & Associates Limited	**453**	426
Administration fee received from (e)		
Yan Yin Company Limited	**36**	36
Cecil Chao & Associates Limited	**120**	120

(a) Cecil Chao & Associates Limited ("CCAL") has provided unsecured advances, which have no fixed terms of repayment, to the Group at 1.8% per annum above the Hong Kong dollars prime rate. At 31 December 2006, the advances from CCAL to the Group amounted to HK$12,000,000 (30 June 2006: HK$64,871,000). 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. Chao Sze-Tsung Cecil, is a director and beneficial owner of CCAL.

(b) Dr. Chao Sze-Tsung Cecil, a director and substantial shareholder of the Company has provided unsecured advances, which have no fixed term of repayment to the Group at 1.8% per annum above the Hong Kong dollars prime rate. At 31 December 2006, the advances from Dr. Chao Sze-Tsung Cecil to the Group amounted to HK$133,056,000 (30 June 2006: HK$335,961,000). Dr. Chao Sze-Tsung Cecil has confirmed that he will not request repayment of these advances until such time as the Group is in a position to repay.

(c) CCAL rendered architectural and related services to the Group on terms agreed between both parties.

(d) Certain properties were leased to Yan Yin Company Limited and CCAL as office premises on terms mutually agreed between both parties.

(e) The Group charged administration fee to Yan Yin Company Limited and CCAL for handling services rendered on terms agreed between both parties.

15. POST BALANCE SHEET EVENTS

(a) On 8 January 2007, the directors proposed to the shareholders of the Company the bonus warrant issue for qualifying shareholders on the basis of one 2009 Warrant for every five existing shares held on 8 February 2007. The 2009 Warrant are constituted by an instrument by way of deed poll to be executed by the Company and to be issued by the Company under the bonus warrant issue entitling the holders to subscribe up to an aggregate of 37,175,810 new shares at an initial subscription price of HK$5 per new share (subject to adjustment).

The bonus warrant issue was approved by the shareholders of the Company in the extraordinary general meeting on 8 February 2007. Details of the bonus warrant issue are set out in the prospectus issued by the Company dated 9 February 2007.

(b) Pursuant to a placing and subscription agreement dated 12 February 2007 made between the Company, Yan Yin Company Limited ("Yan Yin") and Kim Eng Securities (Hong Kong) Limited ("placing agent"), the placing agent agreed to place 23,000,000 shares in the Company held by Yan Yin at a placing price of HK$7.15 per share. Also, the Company agreed to allot and issue 23,000,000 new shares in the Company to Yan Yin at a subscription price of HK$7.15 per share.

On completion of the subscription of 26 February 2007, 23,000,000 share of HK$0.10 each were issued and allotted to Yan Yin at a consideration of HK$7.15 per share. The net proceeds are used for repayment of bank borrowings of the Group. These shares rank pari passu with the existing shares of the Company in all respects.

(c) On 27 March 2007, a wholly owned subsidiary of the Company has acquired a piece of land located in Hong Kong from the Lands Department through public auction at a consideration of HK$96.5 million.

PURCHASE AND CANCELLATION OF SHARES

There was no redemption, purchase or cancellation of shares by the Company or any of its subsidiaries during the six months ended 31 December 2006.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the period, the Company had complied with the relevant provisions set out in the Code on Corporate Governance Practices (the "CGP Code") based on the principles set out in Appendix 14 to the Listing Rules, save the following:

(i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CGP Code;

(ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.