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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2001

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", except that the comparative amounts for the first condensed consolidated cash flow statement have not been presented as the Company has taken advantage of the transitional provision set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2000, except that:

- (i) land and buildings and investment properties have not been revalued at the balance sheet date; and
- (ii) the Group has changed certain of its accounting policies following the adoption of the following new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commenced on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the Balance Sheet Date
SSAP 14 (revised)	:	Leases
SSAP 28	:	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	:	Intangible Assets
SSAP 30	:	Business Combinations
SSAP 31	:	Impairment of Assets
SSAP 32	:	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The Group has complied with SSAP 14 (revised) "Leases" issued by the Hong Kong Society of Accountants which are effective for accounting periods commenced on or after 1 January 2001 for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31 December 2000 are extracted from the Group's audited financial statements for that year.

The principal impact of adopting SSAP 30 has been the disclosure of goodwill/negative goodwill as an asset in the balance sheet and the amortisation/release of this goodwill/negative goodwill over its estimated useful life to the profit and loss account. In accordance with the transitional provision of SSAP30, goodwill/negative goodwill arising from earlier acquisition before 1 January 2001 will continue to be held in reserves and no reinstatement has been made.

Comparative amounts in respect to the condensed consolidated balance sheet for the year ended 31 December 2000 are extracted from the Group's annual financial statements for the year.

## 2. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity is as follows:

	Six months ended 30 June 2001		Six months ended 30 June 2000	
	Turnover (Unaudited) HK\$'000	Contribution to loss from operating activities (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution to loss from operating activities (Unaudited) HK\$'000
By activity:				
Property development	24,370	(2,193)	–	–
Property investment and management	17,671	15,842	16,989	15,569
Horticultural services	1,530	1,331	1,614	1,419
	<u>43,571</u>	<u>14,980</u>	<u>18,603</u>	<u>16,988</u>
Other expenses, net		(18,968)		(124,378)
		<u>(3,988)</u>		<u>(107,390)</u>

The operations outside Hong Kong contributed less than 10% of turnover and less than 10% of consolidated operating loss.

## 3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Depreciation	1,046	823
Cost of properties sold	26,563	–
Decrease in fair value of listed investments	44	1,308
Rental income, gross of HK\$16,739,000 (2000: HK\$16,094,000)		
less outgoings of HK\$1,828,000 (2000: HK\$1,420,000)	(14,911)	(14,674)
Interest income	(138)	( 417)
Dividend from long term unlisted investment	(19)	–
Loss/(gain) on disposal of fixed assets	91	(290)

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#### 4. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2001</b>	<b>2000</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	16,393	23,518

#### 5. TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2001</b>	<b>2000</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of tax attributable to an associate:		
Elsewhere	260	131

No provision for deferred tax has been made as the effect of all timing differences is immaterial.

#### 6. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$20,235,000 (2000: HK\$132,070,000) and the weighted average number of 684,416,993 (2000: 689,005,070) ordinary shares in issue during the period.

The fully diluted loss per share is not shown for both periods because the effect of any dilution is anti-dilutive.

#### 7. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2001 (2000: Nil).

## 8. OTHER LONG TERM ASSETS

	<b>30 June 2001</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>31 December 2000</b> <i>(Audited)</i> <i>HK\$'000</i>
Unlisted equity investments, at cost	5,845	5,845
Provision for diminution in values	(945)	(945)
	<u>4,900</u>	<u>4,900</u>
Loan receivables	8,666	8,730
Unlisted debentures, at cost	1,110	1,110
	<u>14,676</u>	<u>14,740</u>
Less: Loan receivables classified as current assets – note 10	(4,333)	(4,382)
	<u>10,343</u>	<u>10,358</u>

Included in loan receivables is an amount of HK\$8.5 million (2000: HK\$8.5 million) which is secured by a second mortgage over an investment property sold by the Group during the year ended 31 December 1998. The loan is repayable by two equal instalments. A partial repayment of the first instalment payable on or before June 2001 was settled subsequent to the balance sheet date. The directors were informed that the borrower was in the process of arranging banking facilities and the remaining balance of the first instalment will be settled once the banking facilities are available. The second instalment is repayable on or before June 2002.

## 9. PROPERTIES HELD FOR SALE

	<b>30 June 2001</b> <i>(Unaudited)</i> <i>HK\$'000</i>
At beginning of period	153,269
Additions	2,040
Disposal	(25,873)
	<u>129,436</u>

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## 10. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	<b>30 June 2001</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>31 December 2000</b> <i>(Audited)</i> <i>HK\$'000</i>
Current	414	639
1-3 months	195	26
4-6 months	26	7
7-12 months	29	–
Over 1 year	1	–
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	665	672
Prepayments	679	839
Loan receivables – note 8	4,333	4,382
Deposits and other debtors	4,093	3,889
Retention money receivable	338	338
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	10,108	10,120
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The Group's trade receivables are normally invoiced with credit terms of 30 to 60 days of issuance.

## 11. OTHER CURRENT ASSETS

	<b>30 June 2001</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>31 December 2000</b> <i>(Audited)</i> <i>HK\$'000</i>
Short term investments	207	251
Construction contracts	1,063	1,063
Tax recoverable	142	144
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	1,412	1,458
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## 12. TRADE AND OTHER PAYABLES

Details of trade and other payables is as follows:

	<b>30 June 2001</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>31 December 2000</b> <i>(Audited)</i> <i>HK\$'000</i>
Current	526	234
1-3 months	—	—
4-6 months	—	—
7-12 months	—	—
Over 1 year	2,658	2,326
	<u>3,184</u>	<u>2,560</u>
Accruals	7,068	7,223
Deposits received	6,825	6,209
Retention money payables	8,221	8,424
Other liabilities	3,251	3,181
	<u>28,549</u>	<u>27,597</u>

## 13. INTEREST-BEARING BANK BORROWINGS

	<b>30 June 2001</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>31 December 2000</b> <i>(Audited)</i> <i>HK\$'000</i>
Bank overdrafts, unsecured	<u>—</u>	<u>12,615</u>
Bank loans, secured	472,360	466,000
Less: Portion classified as current liabilities	<u>(11,160)</u>	<u>(48,100)</u>
Long term portion	<u>461,200</u>	<u>417,900</u>
Bank loans and overdrafts are repayable:		
Within one year	11,160	60,715
In the second year	46,620	260,640
In the third to fifth years, inclusive	360,500	40,680
Beyond five years	54,080	116,580
	<u>472,360</u>	<u>478,615</u>

## 14. SHARE CAPITAL

	<b>30 June 2001</b> <i>(Unaudited)</i> HK\$'000	<b>31 December 2000</b> <i>(Audited)</i> HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.05 each	100,000	100,000
Issued and fully paid:		
684,416,993 (2000: 684,416,993) ordinary shares of HK\$0.05 each	34,221	34,221

As at 30 June 2001, the Company had 60 million outstanding share options which were granted to directors of the Company to subscribe in cash for fully paid ordinary shares of the Company at HK\$0.268 per share at any time on or before 10 July 2004. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 60,000,000 additional ordinary shares for gross proceeds of HK\$16,080,000.

## 15. RESERVES

	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Land and buildings revaluation reserve</b>	<b>Investment property revaluation reserve</b>	<b>Capital reserve</b>	<b>Exchange fluctuation reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At 1 January 2001	85,134	618,108	7,374	595,036	472,296	(153,273)	(181,046)	1,443,629
Exchange realignment	-	-	-	-	-	683	-	683
Net loss for the period	-	-	-	-	-	-	(20,235)	(20,235)
Share of movements in reserves of an associate	-	-	-	-	-	(30,509)	-	(30,509)
At 30 June 2001	85,134	618,108	7,374	595,036	472,296	(183,099)	(201,281)	1,393,568

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## 16. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

	<b>30 June 2001 (Unaudited) HK\$'000</b>	<b>31 December 2000 (Audited) HK\$'000</b>
Capital commitments contracted for but not provided for	<u>2,222</u>	<u>2,735</u>
Commitments under non-cancellable operating leases of land and buildings expiring in the second to fifth years, inclusive:		
Total commitments	206	–
Annual commitments	<u>–</u>	<u>191</u>

## 17. CONTINGENT LIABILITIES

- (a) At the balance sheet date, the Company had given unconditional guarantees to banks to secure loan facilities granted to subsidiaries to the extent of approximately HK\$649 million (31 December 2000: HK\$654 million). The extent of such facilities utilised by the subsidiaries at the balance sheet date amounted to approximately HK\$472 million (31 December 2000: HK\$466 million).
- (b) At the balance sheet date, the Group had given corporate guarantees to banks for issuing letters of indemnity to a third party in respect of contracts undertaken by certain subsidiaries, and to indemnify the repayment of certain mortgage loans. The total amount of the guarantees was approximately HK\$30 million (31 December 2000: HK\$30 million).

## 18. RELATED PARTY TRANSACTION

During the period, Hong Fok Corporation Limited, a substantial shareholder of the Company, provided guarantee to banks to secure bank overdraft facilities of a subsidiary at nil consideration. As at the balance sheet date, the balance of the bank overdraft has nil balance (31 December 2000: HK\$12.4 million).

In the opinion of the directors, such transaction was conducted in the normal course of business. It was therefore not subject to any disclosure or shareholders' approval requirements under the Listing Rules.

## 19. APPROVAL OF THE INTERIM REPORT

These condensed interim financial statements were approved by the board of directors on 20 September 2001.