

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules of the Stock Exchange”).

The adoption of new accounting policy in accordance with SSAP 9 (Revised) has resulted in significant impact on the preparation of the interim financial statements. Events after the balance sheet date as defined by this accounting standard are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue. This accounting standard requires that, if dividends are proposed or declared after the balance sheet date, an enterprise should not recognize those dividends as a liability at the balance sheet date. After the adoption of this accounting standard, reclassification is required for the Group’s retained profits and proposed dividend as at 31 December 2000.

Save for the above changes, the accounting policies and basis of preparation used in the preparation of the condensed interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2000.

2. COMPARATIVE CASH FLOW STATEMENT

No comparative figures have been presented for the condensed consolidated cash flow statement, being the first consolidated cash flow statement included in the interim report relating to accounting period ended on or after 1 July 2000.

3. TURNOVER

Turnover represents the total amounts received and receivable on the sales of properties and interests in investment properties, the provision of service apartment and property management services, and project management services, property agency services, receipts from pub operations and rental income, net of PRC business and real estate taxes, from property letting, after elimination of all significant intra-group transactions.

Revenue from the following activities has been included in the Group’s turnover:

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Rental income from property letting	47,687	51,844
Serviced apartment and property management	1,449	2,932
Pub operations	3,229	3,410
	<u>52,365</u>	<u>58,186</u>

3. TURNOVER *(Continued)*

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

	Turnover		Contribution to profit from operating activities	
	For the six months ended 30 June		For the six months ended 30 June	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Rental income from property letting	47,687	51,844	44,195	46,813
Service apartment and property management	1,449	2,932	(154)	2,722
Pub operations	3,229	3,410	119	743
	<u>52,365</u>	<u>58,186</u>	<u>44,160</u>	<u>50,278</u>
By geographical area:				
People's Republic of China:				
Hong Kong	21,306	24,721	15,823	18,312
Elsewhere	31,059	33,465	28,337	31,966
	<u>52,365</u>	<u>58,186</u>	<u>44,160</u>	<u>50,278</u>

4. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	452	592
Staff costs (including those of directors):		
Wages and salaries	3,862	4,173
Gross rental income	(47,687)	(51,845)
Less: Outgoings	3,492	5,032
Net rental income	(44,195)	(46,813)
Interest income	(624)	(376)
Gain on disposal of listed investment	(314)	—
Exchange gains	(437)	(16)

5. TAXATION

	For the six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong and the PRC:		
Provision for the period	2,032	1,021
Prior year's overprovision	—	(500)
Taxation charge for the period	2,032	521

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the People's Republic of China have been calculated at the applicable rates of taxation prevailing in the areas in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

6. INTERIM DIVIDEND AND BONUS ISSUE

The Board of Directors has resolved to distribute an interim dividend of 0.20 cents (2000: 0.17 cents as adjusted for the 2000 interim and final bonus issue of shares) per share and a bonus issue of 1 new share for every 10 existing shares held to the shareholders whose names appear on the Register of Members of the Company on 31 October 2001. The interim dividend together with the bonus shares will be distributed to the shareholders on 20 November 2001.

7. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK\$2,680,000 (2000: net profit of HK\$978,000) and the weighted average of 2,525,584,800 (2000: 2,401,396,668 as adjusted for the bonus issue of shares during the period from 1 July 2000 to 30 June 2001) shares in issue during the period under review.

The basic earnings per share for the six months ended 30 June 2000 has been adjusted to take into account the effect of the bonus issue of shares during the period from 1 July 2000 to 30 June 2001.

8. ACCOUNTS RECEIVABLE

The ageing analysis of accounts receivable at the balance sheet date is as follows:

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
1 - 3 months	5,648	5,356
4 - 6 months	867	751
Over 6 months	581	758
	<u>7,096</u>	<u>6,865</u>

The tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rental in order to secure any default in their rental payments.

9. ACCOUNTS PAYABLE

The ageing analysis of accounts payable at the balance sheet date is as follows:

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
1 - 3 months	1,656	1,392
4 - 6 months	—	—
Over 6 months	3,144	3,469
	<u>4,800</u>	<u>4,861</u>

10. SHARE CAPITAL

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
Authorised:		
5,000,000,000 shares of HK\$0.10 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid :		
2,525,584,800 (2000: 2,525,584,800) shares of HK\$0.10 each	<u>252,558</u>	<u>252,558</u>

11. RESERVES AND PROPOSED DIVIDEND

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Proposed dividend HK\$'000
At 31 December 2000							
- as originally stated	—	340,104	25,037	548	96,584	462,273	—
- prior year adjustment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,577</u>
- as restated	—	340,104	25,037	548	96,584	462,273	7,577
Profit for the year	—	—	—	—	2,680	2,680	—
2000 final dividend	—	—	—	—	—	—	(7,577)
2001 interim dividend	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,061)</u>	<u>(6,061)</u>	<u>6,061</u>
30 June 2001	<u>—</u>	<u>340,104</u>	<u>25,037</u>	<u>548</u>	<u>93,203</u>	<u>458,892</u>	<u>6,061</u>

12. COMMITMENTS

	As at 30 June 2001 (Unaudited) HK\$'000	As at 31 December 2000 (Audited) HK\$'000
Capital commitments:		
Authorised and contracted for:		
Associates:		
Properties under development	26,870	12,035
Authorised, but not contracted for:		
Leasehold improvements	<u>—</u>	<u>136</u>
	<u>26,870</u>	<u>12,171</u>

13. CONTINGENT LIABILITIES

The Company had guarantees amounting to HK\$339,000,000 (2000: HK\$32,407,000) given to a bank for the banking facilities, which had been fully utilised at the balance sheet date, granted by the bank to a subsidiary.

14. RELATED PARTY TRANSACTIONS

	<i>Notes</i>	For the six months ended 30 June	
		2001	2000
		HK\$'000	HK\$'000
Lease rentals received from Linkful Management Services Limited	(i)	900	900
Business management fees received from Linkful Management Services Limited	(i)	480	480
Legal advisory fees paid to Cheung, Tong & Rosa	(ii)	—	10

Notes:

- (i) Mr. Lau Chi Yung, Kenneth and Mr. Tsang Pak Chung, Eddy, directors of the Company, are the directors of Linkful Management Services Limited. Mr. Lau Chi Yung, Kenneth is also a substantial shareholder of Oriental Explorer Holdings Limited, the ultimate holding company of Linkful Management Services Limited.

The lease rental received was arrived at after negotiations between both parties with reference to the prevailing market rentals.

The management fees were charged based on the direct cost incurred.

- (ii) Mr. Tong Wui Tung, Ronald, a non-executive director of the Company, is a partner of Cheung, Tong & Rosa. The fee paid was determined based on the cost of services provided plus a margin.

15. COMPARATIVE AMOUNTS

Due to the adoption of revised SSAPs during the current period, the presentation of the interim financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation.

16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements were approved by the Board of Directors on 21 September 2001.