



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31st December, 2002

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Statement of Standard Accounting Practice No. 25 “interim financial reporting” issued by the Hong Kong Society of Accountants.

The accounting policies adopted are consistent with those adopted in the annual financial statements of the Group for the year ended 30th June, 2002 except that the Group has adopted the following new or revised Statement of Standard Accounting Practices (“SSAPs”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP 1 (revised)	:	“Presentation of financial statements”
SSAP 11 (revised)	:	“Foreign currency translation”
SSAP 15 (revised)	:	“Cash flow statements”
SSAP 25 (revised)	:	“Interim financial reporting”
SSAP 34	:	“Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The adoption of these SSAPs during the current financial period does not have any significant impact on the Group’s profit or shareholders’ equity, except that the presentation of certain items and balances in the condensed consolidated interim financial statements have been revised to comply with the new requirements.

The condensed consolidated financial statements of the Group for the six months ended 31st December, 2002 are unaudited and have been reviewed by the Audit Committee of the Company.

## 2. TURNOVER

Turnover represents the aggregate of gross proceeds from sales of properties, gross property rental income and gross income from the operations of the port during the period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31st December, 2002

## 3. SEGMENT INFORMATION

### Business segments

For management purposes, the Group is currently organised into three operating divisions — property sales, property rental and port operations. These principal operating activities are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property sales	—	sales of properties developed by the Group
Property rental	—	leasing of investment properties
Port operations	—	operations of the port

Segment information about these businesses is presented below:

	Property sales		Property rental		Port operations		Consolidated	
	Six months ended 31st December,						2002	2001
	2002	2001	2002	2001	2002	2001		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER								
External sales	189,105	6,966	12,942	15,313	10,207	5,262	212,254	27,541
SEGMENT RESULT	14,999	1,258	11,533	14,329	3,698	1,315	30,230	16,902
Unallocated other operating income							2	22
Unallocated corporate expenses							(5,436)	(5,525)
Profit from operations							24,796	11,399
Finance costs							(1,011)	(1,506)
Profit before taxation							23,785	9,893
Taxation							(5,702)	(648)
Profit for the period							18,083	9,245
Minority interests							(2,075)	(596)
Net profit for the period							16,008	8,649

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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## 3. SEGMENT INFORMATION *(Continued)*

### Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market		Profit from operations	
	Six months ended 31st December,			
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Hong Kong Special Administrative Region ("Hong Kong")	12,942	15,313	11,533	14,329
Other regions in the People's Republic of China ("PRC")	199,312	12,228	18,697	2,573
	<b>212,254</b>	27,541	<b>30,230</b>	16,902
Unallocated other operating income			2	22
Unallocated corporate expenses			(5,436)	(5,525)
Profit from operations			<b>24,796</b>	11,399

## 4. OTHER OPERATING INCOME

Other operating income includes interest income from bank deposits for the six months ended 31st December, 2002 amounted to HK\$561,000 (2001: HK\$85,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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## 5. DEPRECIATION AND AMORTIZATION

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2002 HK\$'000</b>	2001 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Amortization of goodwill (included in administrative expenses)	579	571
Depreciation	724	734
Less: Amount capitalised and included in properties under development	(256)	(233)
	<b>468</b>	501

## 6. FINANCE COSTS

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2002 HK\$'000</b>	2001 HK\$'000
Interest on bank borrowings wholly repayable within five years	3,350	4,486
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4.6% (2001: 5.8%) to expenditure on qualifying assets	(2,339)	(2,980)
	<b>1,011</b>	1,506



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31st December, 2002

## 7. TAXATION

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31st December,</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The tax charge comprises:		
PRC Income Tax	<b>5,702</b>	648

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for 2002 and 2001.

PRC Foreign Enterprise Income Tax is calculated at the rates prevailing in the PRC.

## 8. DISTRIBUTION

On 17th January, 2003, a distribution of 2 Hong Kong cents (2001: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final distribution for the year ended 30th June, 2002.

The Directors have declared an interim distribution of 2 Hong Kong cents (2001: 2 Hong Kong cents) per share for the six months ended 31st December, 2002 to all shareholders whose names appear on the register of members of the Company on 25th April, 2003.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of HK\$16,008,000 (2001: HK\$8,649,000) and on the weighted average number of 219,103,681 (2001: 219,103,681) ordinary shares in issue throughout the period.

No diluted earnings per share is shown as there is no dilutive effect on the earnings per share.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 31st December, 2002

## 10. TRADE AND OTHER RECEIVABLES

At 31st December, 2002, the balance of trade and other receivables included trade receivables of HK\$10,205,000 (30th June, 2002: HK\$9,167,000). For property sales, the Group allows an average credit period of 30 days to its customers. Rental receivables from tenants and service income receivables from customers are payable on presentation of invoices. The aged analysis of trade receivables is as follows:

	<b>Unaudited At 31st December, 2002 HK\$'000</b>	Audited At 30th June, 2002 HK\$'000
0 — 60 days	3,973	4,885
61 — 90 days	57	432
> 90 days	6,175	3,850
	<b>10,205</b>	9,167

## 11. TRADE AND OTHER PAYABLES

At 31st December, 2002, the balance of trade and other payables included trade payables of HK\$293,608,000 (30th June, 2002: HK\$79,638,000). The aged analysis of trade payables is as follows:

	<b>Unaudited At 31st December, 2002 HK\$'000</b>	Audited At 30th June, 2002 HK\$'000
0 — 60 days	10,531	25,681
61 — 90 days	—	4
> 90 days	283,077	53,953
	<b>293,608</b>	79,638

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31st December, 2002

## 12. BANK LOANS (SECURED)

	<b>Unaudited At 31st December, 2002 HK\$'000</b>	Audited At 30th June, 2002 HK\$'000
Bank loans, secured	<b>180,497</b>	186,097
The bank loans are repayable as follows:		
Within one year or on demand	<b>15,000</b>	61,300
More than one year, but not exceeding two years	<b>20,600</b>	124,797
More than two years, but not exceeding five years	<b>144,897</b>	—
	<b>180,497</b>	186,097
Less: Amount repayable within one year shown under current liabilities	<b>(15,000)</b>	(61,300)
Amount due after one year	<b>165,497</b>	124,797

The loans bear average interest rate of about 3.4% per annum. As at balance sheet date, the bank loans of HK\$165,497,000 originally repayable within one year were refinanced on 17th February, 2003 and then due after one year, which were classified as non-current liabilities.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31st December, 2002

## 13. SHARE CAPITAL

	Number of Shares		Amount	
	Unaudited At 31st December, 2002	Audited At 30th June, 2002	Unaudited At 31st December, 2002 <i>HK\$'000</i>	Audited At 30th June, 2002 <i>HK\$'000</i>
Ordinary shares of HK\$1.00 each Authorised	<b>300,000,000</b>	300,000,000	<b>300,000</b>	300,000
Issued	<b>219,103,681</b>	219,103,681	<b>219,104</b>	219,104

## 14. SHARE OPTION SCHEME

The share option scheme was adopted for the purpose of providing incentives to Directors, employees and eligible participants and will expire on 20th December, 2011 (the "Share Option Scheme"). Under the Share Option Scheme, the Board of Directors of the Company may grant options to Directors, employees of the Company and its subsidiaries and such eligible participants subject to the terms of the Share Option Scheme, to subscribe for shares of the Company at a price per share not less than the highest of i) the closing price of a share of the Company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the date of grant of the option; ii) the average of the closing price of a share of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and iii) the nominal value of a share of the Company.

No share option was granted to or exercised by any of the Company's Directors, employees and such eligible participants under the Share Option Scheme during the period and there were no share options outstanding as at 31st December, 2002.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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## 15. CONTINGENT LIABILITIES

	<b>The Company</b>	
	<b>Unaudited At 31st December, 2002 HK\$'000</b>	Audited At 30th June, 2002 HK\$'000
Guarantees given to financial institutions in respect of banking facilities granted to subsidiaries	<b>188,500</b>	194,100

The extent of such facilities utilised and unutilised by the subsidiaries at 31st December, 2002 amounted to approximately HK\$180,500,000 (30th June, 2002: HK\$186,100,000) and HK\$8,000,000 (30th June, 2002: HK\$8,000,000).

In addition, the Group and the Company have given guarantees in respect of mortgage loans provided to the home buyers of a property project in the PRC. At 31st December, 2002 and 30th June, 2002, the Group had maximum amount of mortgage loans which were subject to these guarantees amounting to HK\$430,996,000 and HK\$377,480,000 respectively.

At 31st December, 2002, the Company had maximum amount of mortgage loans which were subject to these guarantees was HK\$15,598,000 (30th June, 2002: HK\$15,599,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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## 16. CAPITAL COMMITMENTS

	<b>The Group</b>	
	<b>Unaudited At 31st December, 2002 HK\$'000</b>	<b>Audited At 30th June, 2002 HK\$'000</b>
Capital expenditure contracted for but not provided in the condensed consolidated financial statements for the construction and other fees to be paid in respect of properties under development	<b>161,279</b>	162,279

## 17. RELATED PARTY TRANSACTIONS

During the period, the Group has entered into the following transactions with related parties:

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2002 HK\$'000</b>	<b>2001 HK\$'000</b>
Rental income received <i>(note 1)</i>	<b>84</b>	195
Rental and management fees paid <i>(note 1)</i>	<b>715</b>	719
Consultancy service fees paid <i>(note 1)</i>	<b>500</b>	500

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

For the six months ended 31st December, 2002

## 17. RELATED PARTY TRANSACTIONS *(Continued)*

The outstanding balances with these related parties at 31st December, 2002 were as follows:

	<b>Unaudited At 31st December, 2002 HK\$'000</b>	Audited At 30th June, 2002 HK\$'000
Amounts due from related parties included in trade and other receivables <i>(note 2)</i>	<b>1,769</b>	2,032
Amounts due from minority shareholders <i>(note 2)</i>	<b>4,724</b>	4,695
Amounts due to related parties included in trade and other payables <i>(note 2)</i>	<b>656</b>	657

*Notes:*

- The transactions were carried out based on the contractual agreements made between both parties.*
- The amounts are unsecured, interest free and repayable on demand.*

Certain Directors have common directorship in the related companies.