

## Notes:

**1. Basis of preparation and principal accounting policies**

The unaudited condensed consolidated interim accounts (the "Interim Accounts") have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (the "SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and have been reviewed by the Company's Audit Committee.

These Interim Accounts should be read in conjunction with the audited annual accounts for the year ended 31 March 2003.

The accounting policies adopted in the preparation of these Interim Accounts are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2003, except that the Group has adopted the revised SSAP 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing after 1 January 2003.

The adoption of the SSAP 12 (Revised) had no material impact on the Group's results.

**2. Segmental information**

The Group is engaged only in the provision of property development and its operations are all located in the PRC.

**3. Turnover**

Turnover represents proceeds received and receivable from the sales of properties in the PRC to outside customers and rental and building management fee income received and receivable from leasing of investment properties less business tax and discounts, if any, during the period, and is analysed as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Proceeds from sales of properties	<b>32,187</b>	12,466
Rental income	<b>257</b>	720
Management fee income	<b>61</b>	86
Less: business tax	<b>(1,633)</b>	(631)
	<b>30,872</b>	12,641

Business tax is calculated at 5% on the proceeds received and receivable from the sales of properties and on the rental and building management fee income received and receivable from leasing of investment properties during the period.



#### 4. Profit from operations

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Directors' remuneration	242	300
Other staff costs (excluding directors):		
Salaries and allowances	860	339
Retirement benefit scheme contributions	8	15
Total staff costs	1,110	654
Auditors' remuneration	—	150
Depreciation	32	64
Operating lease payments in respect of land and building	512	211
and after crediting:		
Interest income	4	—

#### 5. Finance costs

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	4,184	1,357
Less: Amounts capitalised in properties under development	(4,018)	—
	166	1,357

#### 6. Taxation

	Six months ended	
	30 September	
	2003	2002
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
The PRC income tax	3,750	437
Land Appreciation Tax ("LAT")	—	601
	3,750	1,038

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong.

The PRC income tax is calculated at a rate of 33% on the assessable profits arising in the PRC for both periods.



Under the Implementation Regulations on the Provisional Regulations of the PRC on LAT issued on 27 January 1995, all added value from transfer of real estate in the PRC from 1 January 1994 is subject to LAT at progressive rates up to 60% of the amount of property value appreciation after deduction of certain costs and expenses. An exemption to LAT is applicable to first hand sales contracts entered into on or before 31 December 2000 in respect of those property development contracts or those related project proposals signed or approved before 1 January 1994 and whose capital for the development has been injected according to the relevant property development contracts. The Group's properties under development was approved in 1993, accordingly, there was no LAT exposure to the Group for the period from 1 April 1998 to 31 December 2000.

All added value arising from sales contracts of the properties under development entered into subsequent to 31 December 2000 is subject to LAT at progressive rates up to 60% of the amount of property value appreciation after deduction of certain costs and expenses.

Deferred taxation has not been provided for as there were no significant temporary differences giving rise to deferred tax liabilities as at 30 September 2003 (2002: Nil).

#### 7. Earnings per share

The calculation of basic earnings per share for the period is based on the net profit attributable to shareholders for the six months ended 30 September 2003 of approximately HK\$4,592,000 (2002: HK\$1,713,000) and the weighted average number of 800,000,000 (2002: 792,352,941) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2003 and 2002 have not been disclosed as there were no potential ordinary shares outstanding during the periods.

#### 8. Interim dividend

The directors have resolved not to declare the payment of an interim dividend for the six months ended 30 September 2003 (2002: Nil).

#### 9. Trade receivables

The Group grants credit terms to purchasers of properties on merit of individual purchaser's credit. The ageing analysis of trade receivables at 30 September 2003 is as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
0 – 90 days	4	6,144
180 – 270 days	6,144	–
	<u>6,148</u>	<u>6,144</u>

#### 10. Trade payables

The ageing analysis of trade payables at 30 September 2003 is as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
1-2 years	<u>30,094</u>	<u>30,072</u>



**11. Share capital**

	Number of shares	Issued and fully paid share capital HK\$'000
Balance at 1 April 2003 and 30 September 2003	<u>800,000,000</u>	<u>8,000</u>

**12. Operating lease commitments**

As at 30 September 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Within one year	1,023	1,023
In the second to fifth years, inclusive	<u>1,650</u>	<u>2,162</u>
	<u>2,673</u>	<u>3,185</u>

**13. Other commitments**

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Expenditure contracted for but not provided in the financial statements in respect of acquisition of land in the PRC	<u>3,224</u>	<u>3,224</u>

**14. Contingent liabilities**

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Penalties for late completion of properties (Note 1)	8,471	8,471
Guarantees given to a bank in respect of mortgage facilities granted to purchasers for the acquisition of the properties (Note 2)	<u>77,010</u>	<u>80,175</u>
Total contingent liabilities	<u>85,481</u>	<u>88,646</u>

Notes:

- The relevant parties have not claimed for late completion up to now, in the opinion of the directors, it is unlikely for these parties to make the claims and accordingly, no provision has been made.



2. The guarantees given will be released upon the earliest of; (i) registration of mortgage by the purchaser-mortgagors holding the relevant housing ownership certificate; (ii) repayment of loan by the purchaser-mortgagors; and (iii) two years from the date of any breach of obligations by the purchaser-mortgagors.

#### 15. Pledge of assets

As at 30 September 2003, the Group's banking facilities were secured by the following:

	30 September 2003 (Unaudited) HK\$'000	31 March 2003 (Audited) HK\$'000
Investment properties	76,500	76,500
Completed properties held for sales	27,968	27,968
	<u>104,468</u>	<u>104,468</u>

#### 16. Related party transactions

There was no significant related party transactions undertaken by the Group at any time during the six months ended 30 September 2003 and 30 September 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30 September 2003, the Group recorded a turnover of approximately HK\$30,872,000, representing an increase of approximately 144% as compared to the same period last year. The Group's net profit attributable to shareholders were approximately HK\$4,592,000 (six months ended 30 September 2002: approximately HK\$1,713,000).

## MAJOR PROJECTS AND PROSPECTS OF THE GROUP

### Dalian Properties Development Projects

During the period under review, the Group has amended its sales strategies while the property sales market was dragged by the threat of SARS, thus turnover increased but gross profit margin fell as compared to the same period last year. The Group will amend its lease and sales strategy in response to market changes. Gao Er Ji Road project and Golden Pebble Beach project will be completed within the anticipated period and will make contribution to the Group.

### Energy Development Project

On 15 November 2002, the Group's associate, Bekwin International Ltd, entered into a memorandum of understanding to form a joint venture to acquire the entire business, assets and liabilities of Beijing Bluesky Technology Co., Ltd. ("Beijing Bluesky") at a total consideration of RMB8,000,000, which will be financed by internally generated resources. Upon completion, the Group will hold 29% of Beijing Bluesky.

Established in 1998, Beijing Bluesky successfully holds a number of PRC registered patents in relation to coal gas production technology and power generation using coal within a few years. This acquisition is not only in line with the Group's strategies for future development, it also facilitates the Group's expansion into the lucrative market in northern PRC.

