

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 31st December, 2003

Interim Report 2003–2004

## 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, 2003 except that the Group has adopted the revised Statement of Standard Accounting Practice 12 (“SSAP 12”) “Income Taxes” issued by the Hong Kong Society of Accountants to account for deferred taxation which are effective for accounting periods commencing on or after 1st January, 2003.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. Under the SSAP 12 (revised), deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts, based on the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

The adoption of the SSAP 12 (revised) represents a change in accounting policy which has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy. In this connection, the retained earnings at 1st July, 2003 and 2002 have been increased by HK\$4,651,000 and HK\$2,416,000 respectively, which represented the unrecognised net deferred tax assets. This change has also resulted in deferred tax assets at 30th June, 2003 by HK\$4,651,000. The adoption of the SSAP 12 (revised) reduced the Group’s profit attributable to shareholders for the six months ended 31st December, 2003 by HK\$1,330,000 (2002: HK\$879,000).

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

These condensed consolidated financial statements of the Group for the six months ended 31st December, 2003 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 operation of the port during the period.

## 3. SEGMENTAL 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 segmental 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

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## 3. SEGMENTAL INFORMATION (Continued)

### Business segments (Continued)

Segmental information about these businesses is presented below:

	Property sales		Property rental		Port operations		Consolidated	
	Unaudited							
	Six months ended 31st December,							
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Restated HK\$'000
TURNOVER								
External sales	<b>176,034</b>	189,105	<b>13,375</b>	12,942	<b>7,775</b>	10,207	<b>197,184</b>	212,254
SEGMENT RESULT	<b>12,932</b>	14,999	<b>12,258</b>	11,533	<b>1,241</b>	3,698	<b>26,431</b>	30,230
Unallocated other operating income							<b>1,037</b>	2
Unallocated corporate expenses							<b>(5,418)</b>	(5,436)
Profit from operations							<b>22,050</b>	24,796
Finance costs							<b>(573)</b>	(1,011)
Profit before taxation							<b>21,477</b>	23,785
Taxation							<b>(1,931)</b>	(6,581)
Profit for the period							<b>19,546</b>	17,204
Minority interests							<b>(1,144)</b>	(2,075)
Net profit for the period							<b>18,402</b>	15,129

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## 3. SEGMENTAL 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	
	Unaudited			
	Six months ended 31st December,			
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong Special Administrative Region ("Hong Kong")	13,375	12,942	12,258	11,533
Other regions in the People's Republic of China ("PRC")	183,809	199,312	14,173	18,697
	<b>197,184</b>	<b>212,254</b>	<b>26,431</b>	<b>30,230</b>
Unallocated other operating income			1,037	2
Unallocated corporate expenses			(5,418)	(5,436)
Profit from operations			<b>22,050</b>	<b>24,796</b>

## 4. OTHER OPERATING INCOME

	Unaudited Six months ended 31st December,	
	2003 HK\$'000	2002 HK\$'000
Bank interest income	376	561
Bad debt recovered	1,027	—
Sundry income	254	1,517
	<b>1,657</b>	<b>2,078</b>

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## 5. DEPRECIATION AND AMORTIZATION

	Unaudited Six months ended 31st December,	
	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Amortization of goodwill (included in administrative expenses)	571	579
Depreciation	749	724
Less: Amount capitalised and included in properties under development	(251)	(256)
	<b>498</b>	<b>468</b>

## 6. FINANCE COSTS

	Unaudited Six months ended 31st December,	
	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings wholly repayable within five years	2,599	3,350
Less: Amount capitalised and included in properties under development by applying a capitalisation rate of 4.0% (2002: 4.6%) to expenditure on qualifying assets	(2,026)	(2,339)
	<b>573</b>	<b>1,011</b>

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## 7. TAXATION

	<b>Unaudited Six months ended 31st December,</b>	
	<b>2003</b>	2002
	<i>HK\$'000</i>	Restated <i>HK\$'000</i>
The tax charge comprises:		
PRC Income Tax		
— Current period	<b>3,838</b>	5,702
— Overprovision in prior years	<b>(3,237)</b>	—
Hong Kong Profits Tax		
— Deferred	<b>1,330</b>	879
	<b>1,931</b>	6,581

No Hong Kong Profits Tax is provided as there is no estimated assessable profit for 2003 and 2002.

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

Deferred taxation has been provided on temporary differences using the current applicable rate.

## 8. DISTRIBUTION

On 16th January, 2004, a distribution of 2 Hong Kong cents (2002: 2 Hong Kong cents) per share was paid to the Company's shareholders as a final distribution for the year ended 30th June, 2003.

The Directors have declared an interim distribution of 2 Hong Kong cents (2002: 2 Hong Kong cents) per share for the six months ended 31st December, 2003 to all shareholders whose names appear on the register of members of the Company on 23rd April, 2004.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of HK\$18,402,000 (2002: HK\$15,129,000, restated) and on the weighted average number of 219,103,681 (2002: 219,103,681) ordinary shares in issue throughout the period.

# Notes to the Condensed Consolidated Financial Statements (Continued)

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## 9. EARNINGS PER SHARE (Continued)

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

## 10. TRADE AND OTHER RECEIVABLES

At 31st December, 2003, the balance of trade and other receivables included trade receivables of HK\$1,741,000 (30th June, 2003: HK\$1,761,000). 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, 2003 HK\$'000</b>	<b>Audited At 30th June, 2003 HK\$'000</b>
0 – 60 days	<b>1,101</b>	1,325
61 – 90 days	<b>1</b>	—
More than 90 days	<b>639</b>	436
	<b>1,741</b>	1,761

## 11. TRADE AND OTHER PAYABLES

At 31st December, 2003, the balance of trade and other payables included trade payables of HK\$53,493,000 (30th June, 2003: HK\$54,043,000). The aged analysis of trade payables is as follows:

	<b>Unaudited At 31st December, 2003 HK\$'000</b>	<b>Audited At 30th June, 2003 HK\$'000</b>
0 – 60 days	<b>37,271</b>	30,112
61 – 90 days	<b>1,493</b>	2,214
More than 90 days	<b>14,729</b>	21,717
	<b>53,493</b>	54,043

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## 12. BANK LOANS

	<b>Unaudited At 31st December, 2003 HK\$'000</b>	<b>Audited At 30th June, 2003 HK\$'000</b>
The bank loans are repayable as follows:		
Within one year or on demand	<b>71,406</b>	22,927
More than one year, but not exceeding two years	<b>25,937</b>	24,937
More than two years, but not exceeding five years	<b>123,918</b>	142,136
	<b>221,261</b>	190,000
Less: Amount repayable within one year shown under current liabilities	<b>(71,406)</b>	(22,927)
Amount due after one year	<b>149,855</b>	167,073
Secured	<b>212,170</b>	180,000
Unsecured	<b>9,091</b>	10,000
	<b>221,261</b>	190,000

The loans bear an average interest rate of about 2.2% per annum and shall be repayable over three years.

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## 13. SHARE CAPITAL

	Number of shares		Amount	
	Unaudited At 31st December, 2003	Audited At 30th June, 2003	Unaudited At 31st December, 2003 <i>HK\$'000</i>	Audited At 30th June, 2003 <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 Company adopted a new share option scheme on 21st December, 2001 (the “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. 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 at the discretion of the Board of Directors of the Company pursuant 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 and its subsidiaries’ Directors, employees and such eligible participants under the Share Option Scheme during both six months periods ended 31st December, 2003 and 31st December, 2002 and there were no share options outstanding as at 31st December, 2003 and 31st December, 2002.

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## 15. CONTINGENT LIABILITIES

	<b>The Company</b>	
	<b>Unaudited At 31st December, 2003 HK\$'000</b>	<b>Audited At 30th June, 2003 HK\$'000</b>
Guarantees given to financial institutions in respect of banking facilities granted to subsidiaries	<b>234,261</b>	198,000

The extent of such facilities utilised and unutilised by the subsidiaries at 31st December, 2003 amounted to approximately HK\$221,261,000 (30th June, 2003: HK\$190,000,000) and HK\$13,000,000 (30th June, 2003: HK\$8,000,000).

In addition, the Group and the Company have given guarantees in respect of mortgage loans provided by banks to the home buyers of a property project in the PRC. At 31st December, 2003, the Group and the Company had a maximum amount of mortgage loans which were subject to these guarantees of HK\$606,259,000 (30th June, 2003: HK\$488,322,000) and HK\$15,526,000 (30th June, 2003: HK\$15,597,000), respectively.

## 16. CAPITAL COMMITMENTS

	<b>The Group</b>	
	<b>Unaudited At 31st December, 2003 HK\$'000</b>	<b>Audited At 30th June, 2003 HK\$'000</b>
Capital expenditure contracted for but not provided in the financial statements for the construction and other fees to be paid in respect of properties under development	<b>117,117</b>	175,296

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## 17. RELATED PARTY TRANSACTIONS

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

	Unaudited Six months ended 31st December,	
	2003 HK\$'000	2002 HK\$'000
Rental income received <i>(note a)</i>	74	84
Rental and management fees paid <i>(note a)</i>	693	715
Consultancy service fees paid <i>(note a)</i>	—	500

The outstanding balances with these related companies and minority shareholders at 31st December, 2003 were as follows:

	Unaudited At 31st December, 2003 HK\$'000	Audited At 30th June, 2003 HK\$'000
Amounts due from related companies included in trade and other receivables <i>(note b)</i>	2,341	2,077
Amounts due from minority shareholders <i>(note b)</i>	4,828	4,775
Amounts due to related companies included in trade and other payables <i>(note b)</i>	1,152	654

Notes:

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

The related companies are companies in which certain Directors have common directorship.