

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated 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 Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and should be read in conjunction with the 2003 annual financial statements.

2. Accounting policy and comparative figures

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the Group’s annual financial statements for the year ended 31st December, 2003. Certain comparative figures for the prior period have been restated to conform with the current period’s presentation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Business and geographical segments

Business segments

	Securities investment and trading		Property development and investment		Entertainment and leisure		Industrial		Consolidated	
	Unaudited six months ended 30th June,									
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
External sales	<u>1,870</u>	<u>3,158</u>	<u>1,411</u>	<u>5,012</u>	<u>80</u>	<u>207</u>	<u>32,476</u>	<u>35,215</u>	<u>35,837</u>	<u>43,592</u>
RESULT										
Segment results	<u>1,762</u>	<u>(6,239)</u>	<u>314</u>	<u>2,549</u>	<u>(231)</u>	<u>(965)</u>	<u>967</u>	<u>944</u>	<u>2,812</u>	<u>(3,711)</u>
Other operating income	<u>78</u>	<u>2,078</u>	<u>7</u>	<u>15</u>	<u>-</u>	<u>14</u>	<u>114</u>	<u>113</u>	<u>199</u>	<u>2,220</u>
Profit/(loss) from operations after impairment loss on the interest in leisure-entertainment complex									<u>3,011</u>	<u>(1,491)</u>
Gain on disposal of discontinued businesses									<u>301</u>	<u>-</u>
Gain on disposal of an investment property									<u>1,032</u>	<u>-</u>
Finance costs									<u>(1,295)</u>	<u>(3,334)</u>
Profit on deemed disposal of an associate									<u>-</u>	<u>3,278</u>
Share of results of an associate									<u>3,690</u>	<u>2,672</u>
Share of results of a jointly – controlled entity									<u>(17)</u>	<u>110</u>
Profit before tax									<u>6,722</u>	<u>1,235</u>
Tax									<u>(792)</u>	<u>(651)</u>
Profit before minority interests									<u>5,930</u>	<u>584</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Business and geographical segments (Continued)

Geographical segments

	Sales revenue by geographical market Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong	8,107	4,134
Singapore	828	4,042
PRC, excluding Hong Kong	15,046	12,186
Japan	11,856	23,230
	<u>35,837</u>	<u>43,592</u>

4. Profit/(loss) from operations

	Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Profit/(loss) from operations has been arrived at after charging:		
Depreciation		
Owned assets	2,159	2,482
Auditors' remuneration	405	393
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of HK\$623,680 (2003: HK\$682,579)	5,615	5,770
and after crediting:		
Profit on disposal of listed other investments	217	10
Rental income from investment properties, less outgoings of HK\$734,074 (2003: HK\$1,676,854)	<u>717</u>	<u>2,786</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Gain on disposal of discontinued businesses

- a) On 22nd December, 2003, the Group entered into a sale agreement to dispose of the subsidiaries, Tang City Properties Pte. Ltd. ("TCPL") and its subsidiaries, which carried out of the Group's investment properties in Singapore. The disposal was effected in order to generate the working capital for the Group. The disposal was completed on 16th February, 2004, on which date control of TCPL passed to the acquirer.

The consolidated results of the investment properties up to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	16/2/2004 (Unaudited) HK\$'000	30/6/2003 (Unaudited) HK\$'000
Turnover	828	4,036
Cost of sales	(432)	(1,545)
Gross profit	396	2,491
Other operating income	7	—
Administrative expenses	(251)	(1,143)
Finance costs	(815)	(2,297)
Loss for the period	(663)	(949)

During the period, TCPL contributed an inflow of approximately HK\$439,000 (30/6/2003: HK\$2,521,000) to the Group's net operating cash flows, paid approximately HK\$519,000 (30/6/2003: HK\$2,956,000) in respect of financing activities.

The carrying amounts of the consolidated assets and liabilities of TCPL at the date of disposal, were approximately HK\$124 million (31/12/2003: HK\$122 million) and HK\$126 million (31/12/2003: HK\$123 million), respectively.

A loss of approximately HK\$3,212,000 arose on the disposal of TCPL, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and the realisation of the exchange reserve. No tax charge or credit arose from the transaction.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Gain on disposal of discontinued businesses (Continued)

- b) On 21st April, 2004, the Group entered into a sale agreement to dispose of a subsidiary, Laichi Kok Amusement (Haimen) Co. Ltd. ("LKA"), which carried out of the Group's amusement park operation in the People's Republic of China. The disposal was effected in order to generate the working capital for the Group. The disposal was completed on 21st June, 2004, on which date control of LKA passed to the acquirer.

The results of the operation of amusement park up to the date of disposal, which have been included in the consolidated financial statements, were as follows:

	21/6/2004 (Unaudited) HK\$'000	30/6/2003 (Unaudited) HK\$'000
Turnover	80	202
Cost of sales	(203)	(539)
Gross loss	(123)	(337)
Other operating income	—	14
Administrative expenses	(48)	(194)
Loss for the period	(171)	(517)

During the period, LKA contributed an outflow of approximately HK\$54,000 (30/6/2003: an inflow of HK\$82,000) to the Group's net operating cash flows, paid HK\$56 (30/6/2003: HK\$20) in respect of financing activities.

The carrying amounts of the assets and liabilities of LKA at the date of disposal, were approximately HK\$5,819,000 (31/12/2003: HK\$5,923,000) and HK\$521,000 (31/12/2003: HK\$533,000), respectively.

A gain of approximately HK\$3,513,000 arose on the disposal of LKA, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and the realisation of the exchange reserve. No tax charge or credit arose from the transaction.

6. Gain on disposal of an investment property

On 6th May, 2004, the Group entered into a sale agreement to dispose of an investment property at an aggregate consideration of HK\$15,000,000 and the gain recognised on the disposal of an investment property was HK\$1,032,000 (six months ended 30th June, 2003: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Profit on deemed disposal of an associate

During the period, there was no profit on deemed disposal of an associate recognised (six months ended 30th June, 2003: HK\$3,278,000).

8. Tax

	Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Deferred tax	–	(292)
Current tax		
The Company and subsidiaries		
Profits Tax for the period		
Overseas	(393)	(131)
Share of tax attributable to an associate	(399)	(228)
	<u>(792)</u>	<u>(651)</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit during the period (six months ended 30th June, 2003: 17.5%). Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

9. Earnings per share

The calculation of basic earnings per share is based on the profit for the period of HK\$5,540,000 (six months ended 30th June, 2003: HK\$226,000) and on 331,668,905 (six months ended 30th June, 2003: 331,668,905) ordinary shares in issue during the period. As there was no dilutive potential ordinary share for the period ended 30th June, 2004, no diluted earnings per share was presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Interest in an associate

	THE GROUP		THE COMPANY	
	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
Listed share, at cost	–	–	16,020	16,020
Share of net assets	<u>34,367</u>	<u>32,661</u>	<u>–</u>	<u>–</u>
	<u>34,367</u>	<u>32,661</u>	<u>16,020</u>	<u>16,020</u>
Market value	<u>143,281</u>	<u>171,598</u>	<u>143,281</u>	<u>171,589</u>

Particulars of the associate of the Company at 30th June, 2004 are as follow:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued share capital held by the Group	Principal activities
Chinasoft International Limited ("Chinasoft")	Cayman islands/ PRC	27.64%	Provision of information technology services

The shares of Chinasoft were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited with effect from 20th June, 2003. Pursuant to the capitalisation issue and share placing by Chinasoft on 20th June, 2003, the Company's shareholding in Chinasoft had decrease from 36.85% to 27.64%, resulting in a gain on deemed disposal of HK\$3,278,000 for the period ended 30th June, 2003.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Interest in an associate (Continued)

The following details have been extracted based on the consolidated financial statements of Chinasoft:

	Unaudited six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Results for the period		
Turnover	109,490	55,730
Profit before tax	13,351	7,466
	<u>13,351</u>	<u>7,466</u>
Profit before tax attributable to the Group	3,690	2,672
	<u>3,690</u>	<u>2,672</u>
	30/6/2004	31/12/2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Financial position		
Non-current assets	17,906	12,155
Current assets	199,508	159,426
Current liabilities	(77,324)	(39,742)
Non - current liabilities	(15,752)	(13,673)
	<u>(15,752)</u>	<u>(13,673)</u>
Net assets	124,338	118,166
	<u>124,338</u>	<u>118,166</u>
Net assets attributable to the Group	34,367	32,661
	<u>34,367</u>	<u>32,661</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Trade and other receivables

For sales of goods, the Group has a policy of allowing a credit period of 30-90 days to its trade customers. Rentals receivable from tenants and service income from customers are payable on presentation of invoices. The aged analysis of trade receivable at the reporting date is as follows:

	THE GROUP	
	30/6/2004	31/12/2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	2,883	5,138
31 – 60 days	3,334	1,650
61 – 90 days	11,002	7,164
Over 90 days	3,538	3,766
	<hr/>	<hr/>
Total trade receivables	20,757	17,718
Other receivables	1,914	7,893
	<hr/>	<hr/>
	22,671	25,611
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12. Trade and other payables

The aged analysis of trade payables at the reporting date is as follows:

	THE GROUP	
	30/6/2004	31/12/2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
0 – 30 days	2,331	4,197
31 – 60 days	2,512	1,801
61 – 90 days	2,725	688
Over 90 days	9,385	7,537
	<hr/>	<hr/>
Total trade payables	16,953	14,223
Other payables	36,549	42,053
	<hr/>	<hr/>
	53,502	56,276
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Bank and other loans

	THE GROUP	
	30/6/2004	31/12/2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Bank and other loans comprise:		
Bank loans	6,874	147,365
Other loans	1,089	2,589
	<u>7,963</u>	<u>149,954</u>
Analysed as:		
Secured	7,963	149,954
Unsecured	—	—
	<u>7,963</u>	<u>149,954</u>
The above loans are repayable as follows:		
Within one year	7,963	141,372
More than one year, but not exceeding two years	—	2,411
More than two years, but not exceeding five years	—	4,198
More than five years	—	1,973
	<u>7,963</u>	<u>149,954</u>
Less: Amounts due within one year shown under current liabilities	(7,963)	(141,372)
Amounts due after one year	<u>—</u>	<u>8,582</u>

14. Share capital

	Number of ordinary shares of HK\$1 each (in thousand)	Nominal value HK\$'000
Authorised:		
At 1st January, 2003, 31st December, 2003, 1st January, 2004 and 30th June, 2004	<u>700,000</u>	<u>700,000</u>
Issued and fully paid:		
At 1st January, 2003, 31st December, 2003, 1st January, 2004 and 30th June, 2004	<u>331,669</u>	<u>331,669</u>

There was no movement in the authorised, issued and fully paid share capital of the Company in the current interim reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Pledge of assets

At the reporting date:

- (a) banking facilities to the extent of approximately HK\$2.4 million (31st December, 2003: HK\$16.2 million) of which HK\$2.4 million (31st December, 2003: HK\$16.2 million) were utilised, are secured by the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$34 million (31st December, 2003: HK\$47.8 million);
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$8.1 million (31st December, 2003: HK\$7.0 million) of which HK\$1 million (31st December, 2003: HK\$2.6 million) were utilised, are secured by the listed investments of the Group and the Company of approximately HK\$16.6 million (31st December, 2003: HK\$14 million) and HK\$16.2 million (31st December, 2003: HK\$13.7million), respectively;
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$40.4 million (31st December, 2003: HK\$40.3 million), of which HK\$3.7 million(31st December, 2003: HK\$13.3 million) was utilised, are secured by time deposits held by the Company of approximately HK\$4.7 million (31st December, 2003: HK\$14.3 million);
- (d) bank loan facilities borrowings of approximately HK\$0.8 million (31st December, 2003: HK\$0.9 million) are secured by a blending machine held by a subsidiary with net book value of approximately HK\$2.5 million (31st December, 2003: HK\$2.5 million).

16. Contingent liabilities

	THE GROUP		THE COMPANY	
	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
Guarantees given to bank, in respect of banking facilities utilised by subsidiaries	—	—	—	122,990

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Capital commitments

	THE GROUP		THE COMPANY	
	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
Commitments contracted but not provided for in the financial statements in respect of capital contribution to a subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,678</u>

18. Operating lease arrangements

Property rental income earned during the period was HK\$765,000 (six months ended 30th June, 2003: HK\$4,970,000).

The properties held have committed tenants for the next three years.

At the reporting date, the Group had contracted with tenants for the following future minimum lease payments:

	30/6/2004 (unaudited) HK\$'000	31/12/2003 (audited) HK\$'000
Within one year	660	1,755
In the second to fifth year inclusive	<u>1,210</u>	<u>1,512</u>
	<u>1,870</u>	<u>3,267</u>

19. Post balance sheet event

As announced on 6th May, 2004, Kwong Ming Amusement Company Limited, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party to dispose of its investments property situated in Hong Kong for a cash consideration of HK\$15,500,000.

On 8th June, 2004, the formal sale and purchase agreement was entered between the parties. This transaction was completed on 1st September, 2004 and the gain on disposal is approximately HK\$1,329,000.