

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2003.

The condensed consolidated financial statements have been prepared in accordance with SSAP 25 "Interim Financial Reporting" issued by Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim financial statements should be read in conjunction with the 2003 annual financial statements.

2. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the amounts received and receivable for goods sold to outside customers, less returns and allowances, promotion and services income, and property rental income for the Period.

An analysis of the Group's revenue and results by business segments is presented below:

2004

	Property investment HK\$'000	Property development HK\$'000	Retail HK\$'000	Other operation HK\$'000	Total HK\$'000
REVENUE					
External revenue	<u>798</u>	<u>–</u>	<u>392,589</u>	<u>6,890</u>	<u>400,277</u>
RESULT					
Segment result	<u>(7,139)</u>	<u>–</u>	<u>(49,128)</u>	<u>(3,123)</u>	<u>(59,390)</u>
Interest and unallocated gains					10,537
Unallocated expenses					<u>(26,372)</u>
Loss from operating activities					(75,225)
Finance costs					(248)
Share of profit of jointly controlled entities		9,752			9,752
Share of profit of associates			3,897		<u>3,897</u>
Loss before tax					(61,824)
Tax					<u>(1,693)</u>
Loss before minority interests					(63,517)
Minority interests					<u>13,742</u>
Net loss from ordinary activities attributable to shareholders					<u>(49,775)</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. TURNOVER AND SEGMENTAL INFORMATION (Continued)

2003

	Property investment HK\$'000	Property development HK\$'000	Retail HK\$'000	Other operation HK\$'000	Total HK\$'000
REVENUE					
External revenue	<u>436</u>	<u>–</u>	<u>108,798</u>	<u>2,850</u>	<u>112,084</u>
RESULT					
Segment result	<u>(18,567)</u>	<u>–</u>	<u>(14,261)</u>	<u>(1,535)</u>	<u>(34,363)</u>
Interest and unallocated gains					2,906
Unallocated expenses					<u>(23,637)</u>
Loss from operating activities					(55,094)
Finance costs					–
Share of profit of jointly controlled entities		7,973			7,973
Share of losses of associates			(6,739)		<u>(6,739)</u>
Loss before tax					(53,860)
Tax					<u>(1,226)</u>
Loss before minority interests					(55,086)
Minority interests					<u>9,008</u>
Net loss from ordinary activities attributable to shareholders					<u>(46,078)</u>

The Group's major operations are located in the People's Republic of China (the "PRC") and Hong Kong.

An analysis of the Group's revenue by geographical segments is presented below:

2004

	The PRC, other than Hong Kong HK\$'000	Hong Kong HK\$'000	Total HK\$'000
REVENUE			
Turnover	<u>394,390</u>	<u>5,887</u>	<u>400,277</u>
2003			
	The PRC, other than Hong Kong HK\$'000	Hong Kong HK\$'000	Total HK\$'000
REVENUE			
Turnover	<u>108,798</u>	<u>3,286</u>	<u>112,084</u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. DEPRECIATION AND AMORTISATION**

During the Period, a depreciation of HK\$7.6 million (2003: HK\$4.9 million) was charged in respect of the Group's property and equipment and an amortisation of HK\$0.6 million (2003: nil) was charged in respect of the Group's franchise fee.

4. TAX

	GROUP	
	Unaudited	
	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Company and its subsidiaries:		
Income tax provision in other jurisdictions	230	–
Share of tax of associates:		
Provision for the Period	1,463	1,226
Tax charge for the Period	1,693	1,226

No provision for Hong Kong profits tax has been made as the Group has no assessable profits which were earned in or derived from Hong Kong during the Period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

5. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2003: nil).

6. LOSS PER SHARE**(a) Basic loss per share**

The calculation of basic loss per share was based on the net loss from ordinary activities attributable to shareholders for the Period of HK\$49.8 million (2003: HK\$46.1 million) and the weighted average of 5,996,614,408 shares (2003: 5,996,614,408 shares) of the Company in issue during the Period.

(b) Diluted loss per share

Diluted loss per share for the period ended 30th June, 2004 was calculated based on the net loss from ordinary activities attributable to shareholders of HK\$49.8 million and the weighted average number of ordinary shares in issue of 5,996,614,408 shares during the period ended 30th June, 2004 plus potential ordinary shares of 465,274,036 shares deemed to be issued if outstanding share options had been exercised.

The diluted loss per share for the period ended 30th June, 2003 has not been disclosed as the warrants had expired on 12th June, 2003 and share options outstanding had an anti-dilutive effect on the basic loss per share.

7. TRANSFER TO/FROM RESERVE

There was no transfer to/from reserve of the Company in either the current or the prior interim reporting period.

8. FIXED ASSETS

During the Period, the Group spent approximately HK\$154.1 million on property, plant and equipment in order to cope with the expansion of its retail business.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. TRADE DEBTORS

Details of the aging analysis of trade debtors of the Group are as follows:

	GROUP	
	Unaudited 30th June, 2004 HK\$'000	Audited 31st December, 2003 HK\$'000
0 – 30 days	3,241	1,366
31 – 60 days	736	19
61 – 90 days	431	91
Over 90 days	247	–
	<u>4,655</u>	<u>1,476</u>

10. TRADE CREDITORS

Details of the aging analysis of trade creditors of the Group are as follows:

	GROUP	
	Unaudited 30th June, 2004 HK\$'000	Audited 31st December, 2003 HK\$'000
0 – 30 days	187,245	90,582
31 – 60 days	21,884	–
61 – 90 days	5,001	–
Over 90 days	5,077	–
	<u>219,207</u>	<u>90,582</u>

11. BANK LOANS

During the Period, the Group obtained new bank loans in the amount of HK\$48.9 million. The loans bear interest at market rates and are repayable within one year.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. CONTINGENCIES AND COMMITMENTS**

	Unaudited 30th June, 2004 HK\$'000	GROUP Audited 31st December, 2003 HK\$'000
Guarantees provided for bank facilities utilised by subsidiaries	14,400	—
Capital Commitments:		
Contracted but not provided for acquisition of property, plant and equipment	212,373	107,146

13. POST BALANCE SHEET EVENTS

In July 2004, the Group collected RMB31.2 million (equivalent to HK\$29.3 million), representing the remaining balance of the consideration receivable and the respective overdue interest on the disposal of its subsidiary in 2003.