



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure 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 Institute of Certified Public Accountants.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 adopted are consistent with those followed in the preparation of the Group's audited financial statements for the year ended 31 March 2004 with the adoption of new accounting policies for recognition of income from properties held for sale as follows:

#### **Revenue recognition**

Income from sales of completed properties is recognised on the execution of legally binding, unconditional and irrevocable contracts.

#### **Properties held for sale**

Completed properties held for sale are classified under current assets and are stated at the lower of cost and net realisable value.

### 3. TURNOVER AND SEGMENT INFORMATION

#### Business segments

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
For the six months ended									
30 September 2004									

#### TURNOVER

External sales	170,212	34,026	52,494	26,107	4,820	1,940	72,934	—	362,533
Inter-segment sales	15,280	8,310	2,773	67	—	1,215	—	(27,645)	—
Total	185,492	42,336	55,267	26,174	4,820	3,155	72,934	(27,645)	362,533

Inter-segment sales are charged at prevailing market rates.

#### RESULTS

Segment	4,854	785	4,297	563	3,500	574	20,949	(1,659)	33,863
Other operating income									355
Unallocated corporate expenses									(4,122)
Profit from operations									30,096
Finance costs									(454)
Share of results of associates	—	—	—	—	—	—	(12)		(12)
Share of results of jointly controlled entities	—	—	—	—	—	—	—		—
Profit before taxation									29,630
Taxation									(4,201)
Net profit for the period									25,429



### 3. TURNOVER AND SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

	Construction	Interior and renovation	Building materials	Health products	Property investment	Property agency and management	Property development	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2003									
<b>TURNOVER</b>									
External sales	246,840	69,392	22,949	16,115	2,226	708	—	—	358,230
Inter-segment sales	—	65,468	4,858	827	—	1,542	—	(72,695)	—
Total	246,840	134,860	27,807	16,942	2,226	2,250	—	(72,695)	358,230

Inter-segment sales are charged at prevailing market rates.

#### RESULTS

Segment	9,903	2,114	112	(1,199)	2,047	601	(12)	13,566
Other operating income								1,891
Unallocated corporate expenses								(772)
Profit from operations								14,685
Finance costs								(76)
Share of results of associates	—	—	287	—	—	—	(20)	267
Share of result of a jointly controlled entity	(25)	—	—	—	—	—	—	(25)
Profit before taxation								14,851
Taxation								(2,670)
Net profit for the period								12,181

#### Geographical segments

All of the Group's operations during the six months ended 30 September 2004 and 2003 were carried out in Hong Kong.

#### 4. PROFIT FROM OPERATIONS

	<b>1.4.2004 to 30.9.2004 HK\$'000</b>	<b>1.4.2003 to 30.9.2003 HK\$'000</b>
Profit from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	<b>15</b>	15
Depreciation	<b>1,744</b>	1,477
Allowance for prepayment to a supplier	<b>3,000</b>	—
and after crediting:		
Gain on disposal of investments in securities	<b>—</b>	293
Expenses capitalised in cost of contract work:		
Depreciation	<b>1,254</b>	1,145

#### 5. TAXATION

	<b>1.4.2004 to 30.9.2004 HK\$'000</b>	<b>1.4.2003 to 30.9.2003 HK\$'000</b>
Hong Kong Profits Tax attributable to the Company and its subsidiaries	<b>4,229</b>	2,620
Deferred taxation	<b>(28)</b>	—
Share of Hong Kong Profits Tax attributable to associates	<b>—</b>	50
	<b>4,201</b>	2,670

Hong Kong Profits Tax is calculated at 17.5% (for the six months ended 30 September 2003: 17.5%) of the estimated assessable profit for the period.



## 6. DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 September 2004 (for the six months ended 30 September 2003: HK1 cent per share), which amounted to approximately HK\$2,837,000 (for the six months ended 30 September 2003: HK\$2,837,000).

## 7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the net profit for the period of HK\$25,429,000 (for the six months ended 30 September 2003: HK\$12,181,000) and on the weighted average number of 283,671,086 shares (for the six months ended 30 September 2003: 283,671,086 shares).

No diluted earnings per share has been presented as the Company did not have any dilutive potential ordinary shares during the period.

## 8. INVESTMENT PROPERTIES

During the six months ended 30 September 2004, the Group acquired investment properties at a total cost of approximately HK\$56,680,000 (for the six months ended 30 September 2003: HK\$38,049,000).

The directors have considered the carrying amount of the Group's investment properties carried at revalued amounts or at cost for the additions during the period and have estimated that the carrying amount does not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

## 9. INTERESTS IN ASSOCIATES

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 HK\$'000
Share of net assets	<b>11,132</b>	11,145

**10. RETENTION MONEY RECEIVABLE**

	<b>30.9.2004</b> <b>HK\$'000</b>	<b>31.3.2004</b> <b>HK\$'000</b>
Retention money receivable from:		
Subsidiaries of HKR International Limited ("HKRI"), a company holding 49% interests in the Company	<b>42,313</b>	39,904
A company associated with a substantial shareholder of the Company	<b>6,000</b>	6,000
Third parties	<b>37,292</b>	30,616
	<b>85,605</b>	76,520
Less: Amount receivable within one year included in current assets	<b>(70,866)</b>	(71,454)
Amount receivable after one year	<b>14,739</b>	5,066

The amount represents retention money in respect of the progress payments receivable on contract works.

**11. PROPERTIES UNDER DEVELOPMENT FOR SALE**

	<b>30.9.2004</b> <b>HK\$'000</b>	<b>31.3.2004</b> <b>HK\$'000</b>
Development cost, at cost	<b>—</b>	89,483

During the period, the development of the properties under development for sale was completed. The carrying amount of HK\$137,840,000 was transferred to properties held for sale.

**12. PROGRESS PAYMENTS RECEIVABLE**

Progress payments receivable represent the amounts receivable, after deduction of retention money, for construction services which usually fall due within 30 days after the work is certified. Against the amounts receivable for work certified, a retention is usually withheld. 50% of the retention money is normally due upon completion and the remaining 50% is due upon finalisation of the construction accounts.

	<b>30.9.2004</b> <b>HK\$'000</b>	<b>31.3.2004</b> <b>HK\$'000</b>
Progress payments receivable from:		
Subsidiaries of HKRI	<b>9,848</b>	904
Third parties	<b>25,787</b>	23,989
	<b>35,635</b>	<b>24,893</b>

The aged analysis of progress payments receivable is as follows:

	<b>30.9.2004</b> <b>HK\$'000</b>	<b>31.3.2004</b> <b>HK\$'000</b>
Within 30 days	<b>33,178</b>	21,790
31 - 60 days	<b>1,057</b>	1,853
61 - 90 days	<b>42</b>	—
Over 90 days	<b>1,358</b>	1,250
	<b>35,635</b>	<b>24,893</b>

### 13. DEBTORS, DEPOSITS AND PREPAYMENTS

The credit period allowed by the Group to its customers is normally 30 days.

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 <i>HK\$'000</i>
Within 30 days	<b>83,444</b>	22,402
31 - 60 days	<b>2,176</b>	3,315
61 - 90 days	<b>1,503</b>	1,384
Over 90 days	<b>4,413</b>	2,805
Total trade debtors	<b>91,536</b>	29,906
Other receivables	<b>1,828</b>	2,170
Deposits	<b>8,356</b>	4,862
Prepayments	<b>7,017</b>	4,794
	<b>108,737</b>	41,732

Included in the trade debtors above are amounts due from related parties of trading nature as follows:

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 <i>HK\$'000</i>
Subsidiaries of HKRI	<b>113</b>	904
A company associated with a substantial shareholder of the Company	<b>2,449</b>	791
Property management funds which are managed by subsidiaries of HKRI	<b>47</b>	210
	<b>2,609</b>	1,905



**14. CREDITORS AND ACCRUED CHARGES**

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 HK\$'000
Within 30 days	<b>36,035</b>	40,744
31 - 60 days	<b>2,294</b>	1,557
61 - 90 days	<b>1,581</b>	2,253
Over 90 days	<b>4,684</b>	3,168
Total creditors	<b>44,594</b>	47,722
Retention payable	<b>48,488</b>	45,356
Accrued costs and charges	<b>78,645</b>	54,652
Temporary receipts	<b>4,135</b>	4,708
Deposits received	<b>3,930</b>	3,511
	<b>179,792</b>	155,949

Included in the above creditors are amounts due to related parties of trading nature as follows:

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 HK\$'000
Subsidiaries of HKRI	<b>88</b>	432

## 15. BANK LOANS

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 HK\$'000
Secured	<b>53,200</b>	55,300
Unsecured	<b>74,000</b>	—
	<b>127,200</b>	55,300
Less: Amount due within one year	<b>(78,200)</b>	(4,200)
Amount due after one year	<b>49,000</b>	51,100

During the period, the Group obtained bank loans amounting to HK\$74,000,000 as general working capital and for refinancing the acquisition of investment properties. The loans bear interest at market rates and are repayable within one year from the date of drawdown of the loans.

## 16. CONTINGENT LIABILITIES

- (1) At 30 September 2004, the Group had given guarantees to a bank in respect of performance bonds granted to the jointly controlled entities amounting to approximately HK\$7,095,000 (31 March 2004: HK\$11,523,000).
- (2) During the year ended 31 March 2004, legal actions in respect of the allegations for copyright infringement and defamation have been taken against certain subsidiaries of the Company carrying on health product business. At 30 September 2004, as the relevant actions are still in the preliminary stage, the Directors are of the opinion that it is impractical to assess their impacts to the Group.



## 17. OPERATING LEASE COMMITMENTS

### As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
Within one year	7,252	7,373
In the second to fifth year inclusive	6,046	9,115
	<u>13,298</u>	<u>16,488</u>

Operating lease payments represent rental payable by the Group for its office properties, warehouses and shops. Leases are negotiated for an average term of three years.

### As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
Within one year	9,019	7,236
In the second to fifth year inclusive	17,327	11,486
	<u>26,346</u>	<u>18,722</u>

Leases are negotiated for an average term of three years.

## 18. PLEDGE OF ASSETS

At 30 September 2004, the Group's bank loans were secured by the Group's assets as follows:

	<b>30.9.2004</b> <b>HK\$'000</b>	31.3.2004 <b>HK\$'000</b>
Investment properties	<b>83,417</b>	82,241
Land and buildings	<b>12,530</b>	12,778
	<b>95,947</b>	<b>95,019</b>

## 19. RELATED PARTY TRANSACTIONS

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

	<b>Notes</b>	<b>1.4.2004 to 30.9.2004 HK\$'000</b>	1.4.2003 to 30.9.2003 <b>HK\$'000</b>
Construction income from subsidiaries of HKRI	(a)	<b>36,082</b>	60,327
Interior and renovation income from subsidiaries of HKRI and its associates	(b)	<b>762</b>	328
Interior and renovation income from property management funds which are managed by subsidiaries of HKRI	(b)	<b>158</b>	115
Interior and renovation income from a company associated with a substantial shareholder of the Company	(b)	<b>3,541</b>	38,243
Property agency and manager's fee income received from a company associated with a substantial shareholder of the Company	(b)	<b>1,796</b>	561



Notes:

- (a) The pricing of the transactions was determined after a competitive tendering process, designed and administrated by independent consultants, with other independent contractors.
- (b) The pricing of the transactions was determined in accordance with the terms of the relevant agreements.