

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****1. Basis of preparation and accounting policies**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRS", which also included HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earning per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets

**1. Basis of preparation and accounting policies** *(continued)*

Exception for HKAS 1 the impact of which is set out below, the adoption of the above HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements.

The adoption of HKAS 1 has resulted in a change in presentation of minority interests, which are now shown within equity. On the face of the consolidated profit and loss account, minority interests are presented as an allocation of the total profit or loss for the period.

2. Segment Information

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) the property investment segment engages in property leasing;
- (b) the property management and agency services segment provides property management and agency services;
- (c) the construction segment engages in construction contract works as a main contractor or sub-contractor, primarily in respect of design, decoration, electrical and mechanical works.

Intersegment sales and transfer are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



2. Segment Information (continued)

(a) Business segment

The following tables present revenue and results for the Group's business segments.

Six months ended 30 June 2005

	Property investment (Unaudited) HK\$'000	Property management and agency services (Unaudited) HK\$'000	Construction (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	-	-	9,560	9,560
Segment results	-	-	(7,828)	(7,828)
Interest income				2
Other unallocated revenue				-
Unallocated expenses				(4,967)
Loss from operating activities				(12,793)
Finance costs				(5,388)
Share of profit of a jointly-controlled entity				37,439
Profit before tax				19,258
Tax				(11,714)
Profit for the period				7,544



2. Segment Information (continued)

(a) Business segment (continued)

Six months ended 30 June 2004

	Property investment (Unaudited) HK\$'000	Property management and agency services (Unaudited) HK\$'000	Construction (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to external customers	1,097	3,828	10,119	15,044
Segment results	13,676	944	15	14,635
Interest income				16
Other unallocated revenue				1,476
Unallocated expenses				(2,173)
Profit from operating activities				13,954
Finance costs				(8,969)
Share of profit of a jointly-controlled entity				25,374
Profit before tax				30,359
Tax				(6,077)
Profit for the period				24,282

(b) Geographical segment

Over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China. Accordingly, no further geographical segment information is presented.

**3. Other revenue**

	Six months ended	
	30 June 2005 (Unaudited) HK\$'000	30 June 2004 (Unaudited) HK\$'000
Interest income	2	16
Others	15	1,658
	17	1,674

4. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging:

	Six months ended	
	30 June 2005 (Unaudited) HK\$'000	30 June 2004 (Unaudited) HK\$'000
Loss on disposal of investment properties	-	683



5. Finance costs

	Six months ended	
	30 June 2005 (Unaudited) HK\$'000	30 June 2004 (Unaudited) HK\$'000
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	3,066	3,129
Loan from a jointly-controlled entity and a joint venturer	2,322	5,840
	5,388	8,969

6. Tax

Hong Kong profits tax had not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2005. Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2004. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30 June 2005 (Unaudited) HK\$'000	30 June 2004 (Unaudited) HK\$'000
Group – current tax:		
Hong Kong	–	58
Elsewhere	–	183
	–	241
Share of tax attributable to a jointly-controlled entity	11,714	5,836
Total tax charge for the period	11,714	6,077

**7. Earnings per share**

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the parent of HK\$9,659,000 (2004: HK\$24,273,000) and the weighted average of 421,934,200 (2004: 410,029,343) ordinary shares in issue during the period.

Diluted earnings per share amount for the six months ended 30 June 2005 and 2004 have not been disclosed as the share options outstanding during these periods had an anti-dilutive effect on the basic earnings per share for these periods.

8. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

9. Interest in a jointly-controlled entity

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Share of net assets	85,492	70,484
Loan from a jointly-controlled entity	(90,220)	(95,532)
	(4,728)	(25,048)

The loan from a jointly-controlled entity was restructured into a term loan in February 2003 at an interest rate equivalent to that of a one-year term loan quoted by the People's Bank of China, and is repayable over five years through dividend distributions by the jointly-controlled entity for the period up to December 2007.



10. Accounts receivable

An aged analysis of the Group's accounts receivable as at the balance sheet date, based on invoice date and net of provision, is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Less than one month	234	11,411
Two to three months	-	2
Over three months	4,194	2,042
	4,428	13,455

Receivables from construction contracts are predetermined in accordance with the provisions of relevant agreements and are contractually payable to the Group within a specified period.

11. Accounts payable

An aged analysis of the Group's accounts payable as at the balance sheet date, based on invoice date, is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Less than one month	250	7,237
Two to three months	809	362
Over three months	9,161	1,281
	10,220	8,880

**12. Share capital**

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
<i>Authorised:</i>		
25,000,000,000 ordinary shares of HK\$0.10 each	25,000,000	25,000,000
<i>Issued and fully paid:</i>		
421,934,200 ordinary shares of HK\$0.10 each	42,193	42,193

Share options

On 12 March 2004, 27,416,000 share options were granted under the Share Option Scheme to certain directors and employees of the Group. The exercise price of the share option is HK\$0.13 per share and the exercise period commenced on 12 September 2004 and will expire on 11 September 2006. The price of the Company's share at the date of grant was HK\$0.13.



13. Reserves

	Other reserves							Minority interests (unaudited) HK\$'000
	Share premium account (unaudited) HK\$'000	Contributed surplus (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Property revaluation reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Total (unaudited) HK\$'000	Accumulated losses (unaudited) HK\$'000	
At 1 January 2005:								
As previously reported as equity	42,424	230	19,465	-	21	62,140	(140,984)	-
As previously reported separately as minority interest	-	-	-	-	-	-	-	2,115
As restated	42,424	230	19,465	-	21	62,140	(140,984)	2,115
Net profit/(loss) for the period	-	-	-	-	-	-	9,659	(2,115)
At 30 June 2005	42,424	230	19,465	-	21	62,140	(131,325)	-
At 1 January 2004:								
As previously reported as equity	41,149	230	26,731	-	4,724	72,834	(137,570)	-
As previously reported separately as minority interest	-	-	-	-	-	-	-	3,601
As restated	41,149	230	26,731	-	4,724	72,834	(137,570)	3,601
Issue of shares	1,275	-	-	-	-	1,275	-	-
Revaluation surplus	-	-	-	19,705	-	19,705	-	-
Net profit for the period	-	-	-	-	-	-	24,273	9
At 30 June 2004	42,424	230	26,731	19,705	4,724	93,814	(113,297)	3,610



14. Interest-bearing other borrowings

During the period, the Group signed a supplementary loan agreement to increase the other loan facility from HK\$20,000,000 to HK\$35,000,000 and was due on 28 August 2005.

As at 30 June 2005, a secured other loan of the Group amounted to HK\$35,000,000 bears interest at 1.5% per month and is secured by:

- (i) a debenture incorporating a floating charge on all assets of the Company and a first legal charge on the entire issued capital of International Management Company Limited ("IMC") and Hudson Development (H.K.) Limited ("HDHK"), subsidiaries of the Company;
- (ii) a debenture incorporating a floating charge on all assets of IMC and a first legal charge on its 49% shareholding in Wahan Plaza Management Co., Ltd. ("WPM");
- (iii) a first legal charge on the 49% joint venture rights in WPM including all cash, dividends, distribution, bonuses, interests or other monies derived from the rights in WPM;
- (iv) a debenture incorporating a floating charge on all assets of HDHK and a first legal charge on its 51% shareholding in Wuhan Huaxin Real-Estate Development Co., Ltd. ("WHRED");
- (v) a first legal charge on the 51% joint venture rights in WHRED, including all cash, dividends, distribution, bonuses, interests or other monies derived from the rights of WHRED;
- (vi) a share mortgage in respect of the two issued ordinary shares of Ever Park Development Limited ("EPD"), a subsidiary of the Company;
- (vii) a debenture incorporating a first floating charge over the undertaking, properties and assets of EPD;
- (viii) a deed of guarantee signed by Mr. Zhou Chu Jian He, chairman of the Company;

**14. Interest-bearing other borrowings** *(continued)*

- (ix) a debenture incorporating a first floating charge over the undertaking, properties and assets of Prime Century Investments Limited, the immediate holding company of the Company; and
- (x) a share mortgage in respect of the issued ordinary share of US\$1.00 in Prime Century Investments Limited.

The lender has in principle agreed to extend the repayment date of the loan to February 2006 at a rate of 2% per month.

Another loan of HK\$4,630,000 as at 30 June 2005 is unsecured and bears interest at 9.5% per annum.

15. Contingent liabilities

As at 30 June 2005, the Group had no material contingent liabilities.

16. Pending Litigation

In December 2002, a former director of a subsidiary which was disposed of in prior year commenced litigation in the PRC against the Group, and claimed that an alleged bonus of RMB19 million was due to him, according to a supplementary agreement attached to the employment contract entered into with the Group in 1995. Currently, the litigation is still in progress and no conclusion has been drawn on the litigation.

Based on the legal opinion from the Group's PRC lawyer, the directors are in the opinion that the court will ultimately decline such claim and, accordingly, no provision has been made.

**17. Commitments***(a) Operating lease commitments:*

As at 30 June 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Within one year	204	—
In the second to fifth years, inclusive	17	—
	221	—

(b) Capital commitments:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Capital expenditure in respect of acquisition of investment properties contracted for but not provided for in the condensed financial statements	25,800	—



18. Related party transactions

Other than as disclosed elsewhere in the interim financial statements, the Group had the following transactions with related parties during the period:

	Six months ended	
	30 June 2005 (Unaudited) HK\$'000	30 June 2004 (Unaudited) HK\$'000
Interest expense paid to a jointly-controlled entity	2,322	2,442

Interest was paid to WPM, a jointly-controlled entity of the Group, in respect of the loan granted to the Group. The loan bears interest at the interest rate for one-year term loan quoted by the People's Bank of China.

19. Approval of the interim financial statements

The unaudited condensed interim financial statements were approved and authorised for issue by the board of directors on 23 September 2005.