

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the six months ended 30th September, 2005*

### **1. Basis of preparation**

The unaudited condensed consolidated interim accounts have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **2. Changes in accounting policies**

#### *Principal accounting policies*

The condensed consolidated financial statements have been prepared under the historical cost Convention, except for certain properties which are measured at fair values.

The accounting policies adopted in the condensed financial statements are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31st March, 2005, except as described below.

In the current interim period, the Group has adopted, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKAS”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective for accounting periods beginning on or after 1st January, 2005.

The adoption of these new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas. However, the adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented for the current and prior periods. Accordingly, no prior period adjustment has been required.

#### *Financial Instruments*

In the current period, the Group has applied HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

## *Financial assets and financial liabilities other than debt and equity securities*

### Financial assets

Financial assets included trade and other receivables, and bank balances and cash. Trade and other receivables, are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

### Financial liabilities

Financial liabilities included trade and other payables, amounts due to directors, amount due to a related company and bank borrowings, which are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

The Group has not early applied the following new HKFRSs and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures <sup>2</sup>
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions <sup>2</sup>
HKAS 39 (Amendment)	The Fair Value Option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts <sup>2</sup>
HKFRS 6	Exploration for and Evaluation of Mineral Resources <sup>2</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease <sup>2</sup>
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds <sup>2</sup>
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st December, 2005.

### 3. Turnover

	<b>Sep-05</b> <b>HK\$'000</b>	Sep-04 <i>HK\$'000</i>
Rental Income	<b><u>1,875</u></b>	<u>1,829</u>

### Business Segments Results

	<b>Sep-05</b> <b>HK\$'000</b>	Sep-04 <i>HK\$'000</i>
<b>Geographical region</b>		
Hong Kong	<b><u>1,875</u></b>	<u>1,829</u>

At 30th September, 2005 and 2004. The Group was solely engaged in properties letting business located in Hong Kong only.

### 4. Finance costs

	<b>Sep-05</b> <b>HK\$'000</b>	Sep-04 <i>HK\$'000</i>
Interest on		
– bank borrowings wholly repayable within one year	<b><u>266</u></b>	<u>206</u>

### 5. Loss per shares – Basic

The calculation of loss per share is based on the loss attributable to shareholders of approximately HK\$2,167,000 (2004: loss of approximately HK\$22,345,000) and on the weighted average of 95,985,300 shares (2004: weighted average 95,985,300 shares, being adjusted for the share combination from 10 shares to 1 share which has taken place during the period ended 30th September, 2005) in issue during the period.

## 6. Trade and other receivables

The trade and other receivables included trade receivable of approximately HK\$62,506 (31st March, 2005: HK\$44,000). The ageing analysis of trade receivables was as follows:

	<b>Sep-05</b> <b>HK\$'000</b>	<b>Mar-05</b> <b>HK\$'000</b>
0 to 30 days	—	—
31 to 60 days	—	—
61 to 90 days	<b>63</b>	<b>53</b>
91 days or above	—	3
	<u>          </u>	<u>          </u>
	<b>63</b>	<b>56</b>
	<u>          </u>	<u>          </u>

## 7. Trade and other payables

The trade and other payables included trade payables of approximately HK\$607,045 (31st March, 2005: HK\$1,268,000). The ageing analysis of trade payables was as follows:

	<b>Sep-05</b> <b>HK\$'000</b>	<b>Mar-05</b> <b>HK\$'000</b>
0-1 month	—	—
1-2 months	—	65
2-3 months	<b>7</b>	<b>91</b>
over 3 months	<b>600</b>	<b>1,112</b>
	<u>          </u>	<u>          </u>
	<b>607</b>	<b>1,268</b>
	<u>          </u>	<u>          </u>

## 8. Share capital

	<b>Number of shares</b>	<b>Share Capital</b> <b>HK\$'000</b>
Ordinary shares of HK\$0.01 each:		
Issued and fully paid		
As at 30th September, 2005	<u>95,985,375</u>	<u>960</u>