NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The mandated condensed 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 ("HKICPA") and with the applicable disclosure requirements of Appendix 16 under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements of the Group.

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2005 except that the Group has changed certain of its accounting policies following its adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively referred to as new "HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005. Details of these changes in the accounting policies are set out in note 2.

Going concern

The Group depends on finance from banks, a related company and a director to fund its operations and development projects.

The related company and a director have confirmed that they will not request repayment of the amount of HK$45,185,000 and HK$286,320,000 respectively due to them until such time as the Group is in a position to repay.

Based on the Group's existing banking facilities, re-financing of the existing loan facility with a bank and ongoing negotiations of additional loan facilities from other banks after the balance sheet date, the Directors believe that the Group will have sufficient resources to fund its operations and will continue as a going concern. Consequently, the Directors have prepared the financial statements on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

The Company adopted the following new / revised HKFRS issued by the HKICPA, which are generally effective for accounting periods beginning on or after 1 January 2005. The comparatives have been amended as required, in accordance with the relevant requirements. The major effects on the changes in accounting policies are summarised below:

HKFRS 3 Business Combinations

Upon the adoption of HKFRS 3, goodwill arising on acquisition is no longer amortised but subject to an annual impairment review, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquiree's identified asset, liabilities and contingent liabilities over cost of the acquisition of subsidiaries (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

In previous periods, negative goodwill arising from acquisition of subsidiaries was credited to reserve in the year of acquisition and stated as negative goodwill in the Statement of Change in Equity. Pursuant to the transitional provisions of HKFRS 3 relating to recognized negative goodwill, the Group recognised a transfer within equity by the transfer of the negative goodwill of HK$240,000 as at 1 July 2005 to opening accumulated profits for the period, without restating comparatives.

The effects of the above changes are shown on the condensed consolidated statement of changes in equity on page 7.

HKAS 32 and HKAS 39 Financial instruments

Until 30 June 2005, the Group classified its investment in securities as investment securities and was stated in the balance sheet at cost less impairment losses. Receivables and payables were reported on the balance sheet at the total of principal amount outstanding and accrued interest receivable and payable, if applicable. Receivables are stated net of doubtful debts.

From 1 July 2005, the Group reclassified its investment securities as available-for-sale financial assets and carried at fair value except for certain available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are stated at cost less impairment losses. Receivables and payables are recognised initially at fair value and subsequently carried at amortised costs using effective interest method, except for those balances do not have a fixed or determinable terms of repayment, are stated at cost. Receivables are stated net of impairment losses.

Apart from changes in presentation on the balance sheet, the adoption of HKAS 32 and HKAS 39 has no material impact on the Group's interim financial report.

Future changes in HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new / revised standards and interpretations that are not yet effective. The Group has not early adopted these new HKFRS and the directors anticipate that the adoption of these new HKFRS in the further periods will have no material impact on the result of the Group.

3. SEGMENT INFORMATION

	Turnover		**Results**	
	Six months ended 31 December		**Six months ended 31 December**	
	2005	2004	**2005**	2004
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By business activity:				
Property sales	**–**	39,660	**–**	4,264
Property rental	**12,302**	9,758	**8,057**	6,590
Estate management	**1,160**	147	**740**	147
Interest income	**247**	221	**247**	221
	13,709	49,786	**9,044**	11,222
Other income			**93,483**	–
Revaluation surplus in respect of investment properties			**15,586**	–
Administrative and other operating expenses			**(5,688)**	(3,082)
Profit from operations			**112,425**	8,140

4. OTHER INCOME

On 22 September 2005, the Group, through a wholly-owned subsidiary, acquired a 99% equity interest in Top Regent (Asia) Limited, a company incorporated in Hong Kong, which mainly holds a piece of leasehold land in Macau. The carrying amounts of the acquiree's assets and liabilities immediately before combination and amounts recognised at the date of acquisition are as follows:

	2005 (unaudited)	
	Carrying amount	**Fair value**
	HK$'000	*HK$'000*
Leasehold land (Note)	31,972	888,300
Amount due to related company and holding company	(32,031)	–
Net assets acquired		888,300
Purchase consideration		800,000
Discount on early settlement of consideration		(5,706)
Directly attributable costs		523
		794,817
Excess of acquirer's interest in fair value of net assets over cost		93,483

The post-acquisition result contributed by the acquired subsidiary to the Group for the six months ended 31 December 2005 was insignificant. Since the acquired subsidiary has not commenced business, apart from holding a piece of land, there will be no significant effect on the Group's revenue and profit or loss had the business combinations been effected at the beginning of the period.

Note:

The fair value of the leasehold land has been adjusted by taking into account of the estimated land premium for renewal of leases and deferred tax liabilities on revaluation.

5. PROFIT BEFORE TAXATION

Profit from ordinary activities before taxation is stated after charging:

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(a) Other items		
Depreciation	**304**	286
Staff costs	**1,293**	1,362
Retirement scheme contributions	**66**	47
Cost of properties sold	**–**	35,396
(b) Finance costs		
Interest on bank loans and overdrafts	**19,305**	2,215
Interest on advances from a related company	**6,948**	8,467
Other incidental borrowing costs	**116**	278
	26,369	10,960
Less: Borrowing costs capitalised in properties under development	**(15,402)**	(8,295)
	10,967	2,665

6. TAXATION

Hong Kong profits tax has not been provided as the Group's estimated assessable profits for the six month ended 31 December 2005 is wholly absorbed by unrelieved tax losses brought forward from previous years.

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax	**–**	–
Deferred tax		
– origination of temporary differences	**3,809**	–
	3,809	–

7. DIVIDENDS

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Final dividend paid	**10,977**	1,818
Interim dividend proposed	**3,419**	2,182
	14,396	4,000

The directors recommend an interim dividend of HK4.5 cents in respect of the financial year ending 30 June 2006 (2005: HK3 cents per share) payable to shareholders whose names appear on the register of members at the close of business on 24 April 2006.

7. **DIVIDENDS (continued)**

During the period, scrip dividend alternative was offered to shareholders in respect of 2005 final dividends. This alternative was accepted by shareholders as follows:

	Six months ended 31 December	
	2005	2004
	final	interim
	HK$'000	*HK$'000*
Dividends:		
Cash	**1,163**	434
Share alternative	**9,814**	1,748
	10,977	2,182

8. **EARNINGS PER SHARE**

The calculation of earnings per share is based on the unaudited profit for the period of HK$97,649,000 (2004: HK$5,475,000) and 73,407,621 shares (2004: 72,742,211 shares) in issue during the period.

Diluted earnings per share has not been presented because the Company does not have any dilutive potential ordinary shares.

9. TRADE AND OTHER RECEIVABLES

The Group maintains a controlled credit policy to minimize any credit risk associated with trade receivables.

Included in trade and other receivables are trade receivables with an age analysis as follows:

	At 31 December 2005 (Unaudited)	At 30 June 2005 (Audited)
	HK$'000	*HK$'000*
Less than 30 days	**382**	229
31 – 60 days	**47**	39
61 – 90 days	**39**	37
Over 90 days	**327**	52
	795	357

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an age analysis as follows:

	At 31 December 2005 (Unaudited)	At 30 June 2005 (Audited)
	HK$'000	*HK$'000*
Less than 30 days	**112**	–
31 – 60 days	**44**	–
61 – 90 days	**42**	–
Over 90 days	**1,176**	5,058
	1,374	5,058

11. SHARE CAPITAL

	(Unaudited)	(Unaudited)
	No. of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each		
At 31 December 2005 and 30 June 2005	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 July 2005 of Ordinary shares of HK$0.1 each	73,179,019	7,318
Issue of share pursuant to scrip dividend scheme	2,804,180	280
At 31 December 2005 and 30 June 2005	75,983,199	7,598

On 16 December 2005, the Company issued and allotted a total of 2,804,180 shares of HK$0.1 each in the Company at HK$3.5 to the shareholders who elected to receive shares in the Company in lieu of cash for the 2005 final dividend pursuant to the scrip dividend scheme announced by the Company on an amount of HK$9,534,212 in excess of par value was credited to share premium account. These shares rank pari passu with existing shares.

12. ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 31 December 2005 (Unaudited) *HK$'000*	At 31 June 2005 (Audited) *HK$'000*
Bank balances and cash	**12,240**	15,082
Bank overdraft	**–**	–
	12,240	15,082

13. CAPITAL COMMITMENTS

	At 31 December 2005 (Unaudited) *HK$'000*	At 30 June 2005 (Audited) *HK$'000*
Capital commitments in respect of properties under development:		
Authorised but not contracted for	**63,172**	213,813
Contracted but not provided for	**123,945**	36,312
	187,117	250,125

14. CONTINGENT LIABILITIES

The Company and two subsidiaries have executed corporate guarantees to banks in respect of banking facilities granted to certain subsidiaries to the extent of HK$1,416,828,000 (30 June 2005: HK$749,828,000) of which HK$1,157,355,000 (30 June 2005: HK$358,377,000) was utilised as at 31 December 2005.

15. PLEDGE OF ASSETS

At 31 December 2005, the Group's total bank borrowings of HK$1,157,355,000 (30 June 2005: HK$358,377,000) were secured by the following:

(i) legal charges on all of the Group's investment properties and certain of the Group's properties for sale with carrying values of HK$2,028,940,000 (30 June 2005: HK$2,020,540,000) and HK$166,613,000 (30 June 2005: HK$155,594,000), respectively;

(ii) floating charge over all the assets and undertakings of certain subsidiaries;

(iii) mortgages over the shares of certain subsidiaries; and

(iv) assignments of sale proceeds, insurance proceeds, rental income and deposits arising from the tenancy agreements of certain properties.

16. RELATED PARTY TRANSACTIONS

Certain related party transactions were carried out in the ordinary course of the business as follows:

	Six months ended 31 December	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest paid to Cecil Chao & Associates Limited *(a)*	**5,096**	8,467
Interest paid to Dr Cecil Sze-Tsung Chao	**3,138**	–
Fees paid to Cecil Chao & Associates Limited *(b)*		
– architect and other professional service fees	**966**	–
Rental income received from *(c)*		
– Yan Yin Company Limited	**30**	30
– Cecil Chao & Associates Limited	**426**	705
Administration fee received from *(d)*		
– Yan Yin Company Limited	**36**	36
– Cecil Chao & Associate Limited	**120**	120

(a) Cecil Chao & Associates Limited ("CCAL") and Dr Cecil Sze-Tsung Chao ("Dr Chao") have provided unsecured advances, which have no fixed terms of repayment, to the Group at 1.8% (30 June 2005: 1.8%) above the Hong Kong dollar prime rate. At 31 December 2005, the advances from CCAL and Dr Chao amounted to HK$45,185,000 (30 June 2005: HK$314,795,000) and HK$286,320,000 (30 June 2005: HK$Nil), respectively. CCAL has confirmed that it will not request repayment of these advances until such time as the Group is in a position to repay. Dr Chao, is a director and beneficial owner of CCAL.

(b) CCAL rendered architectural and related services to the Group on terms agreed between both parties.

(c) Certain properties were leased to Yan Yin Company Limited and CCAL as office premises on terms mutually agreed between both parties.

(d) The Group charged administration fee to Yan Yin Company Limited and CCAL for handling services rendered on terms agreed between both parties.

PURCHASE AND CANCELLATION OF SHARES

There was no redemption, purchase or cancellation of shares by the Company or any of its subsidiaries during the six months ended 31 December 2005.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the period, the Company had complied with the relevant provisions set out in the Code on Corporate Governance Practices (the "CGP Code") based on the principles set out in Appendix 14 to the Listing Rules, save the following:–

(i) the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CGP Code;

(ii) the role and responsibilities of Chairman and the Chief Executive Officer are not separated as we are still looking for suitable person to act as Chief Executive Officer.

(iii) the Remuneration Committee was formed on 24 March 2006 and the terms of reference of the remuneration committee was adopted on the same day.

(iv) the terms of reference of the Audit Committee was adopted on 24 March 2006.

(v) the internal control procedure was adopted on 24 March 2006.

Board Audit Committee

The Board Audit Committee comprises Messrs Graham Lam Ka-Wai, Joseph Leung Wing-Kong and John Terence Hung, all being independent non-executive directors of the Company. The Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed the auditing, internal controls and financial reporting matters including a review of the unaudited interim results of the Company for the six months ended 31 December 2005.

Remuneration Committee

The Remuneration Committee was established taking effect from 24 March 2006 with written terms of reference made pursuant to the relevant provisions of the CGP Code. The Remuneration Committee currently comprises Messrs Cecil Chao Sze-Tsung (Executive Chairman), Joseph Leung Wing-Kong and Graham Lam Ka-Wai.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("the Model Code") as the code of conduct regarding directors' securities transactions.

Having made specific enquiry of all directors of the Company, they have complied with the required standard set out in the Model Code for the period.