NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values as appropriate, and 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 (the "Listing Rules") and Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2005, except as described belows.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Owner-occupied leasehold interests in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. In the opinion of the directors, the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Financial instruments

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

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 30 June 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities", are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments at carried at amortised cost less impairment losses (if any).

From 1 July 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 July 2005, the Group reclassified its "club debentures" to "available-for-sale financial assets". As the fair value of these investments cannot be reliably measured, they are measured at cost less any identified impairment losses. The changes have not had any significant impact on the results for the current or prior periods. No prior period adjustments were required.

Financial assets and financial liabilities other than debt and equity securities

From 1 July 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The changes have not had any significant impact on the results for the current or prior periods. No prior period adjustments were required.

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 July 2005 onwards. The amount held in investment property revaluation reserve at 1 July 2005 has been transferred to the Group's accumulated losses (see note 3 for the financial impact).

Pre-completion contracts for the sale of development properties

Previously, the Group applied the stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties. In the current period, the Group has, for the first time, applied Hong Kong Interpretation 3 "Pre-completion Contracts for the Sale of Development Properties" ("HKINT 3") which clarifies that the use of stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties is not appropriate. Under HKINT 3, revenue arising from pre-completion contracts for the sale of development properties are recognised only when all of the criteria specified in paragraph 14 of HKAS 18 "Revenue" are met. The Group has elected to apply the requirements of HKINT 3 to pre-completion contract for the sale of development properties entered into on or after 1 July 2005. Accordingly, no prior period figures have been restated.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

No financial effects of changes in the accounting policies described above on the results for the current and prior periods.

The cumulative effects of the application of the new HKFRSs as at 30 June 2005 and 1 July 2005 are summarised below:

Balance sheet items	**As at 30 June 2005 (originally stated)**	**Adjustments**	**As at 1 July 2005 (restated)**
	HK$'000	***HK$'000***	***HK$'000***
Accumulated losses	**(918,637)**	**318,656**	**(599,981)**
Investment property revaluation reserve	**318,656**	**(318,656)**	**–**
Total effects on equity	**(599,981)**	**–**	**(599,981)**

There was no financial effect of the application of the new HKFRSs to the Group's equity at 1 July 2004.

4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two main operating divisions – general trading and property development. These divisions are the bases on which the Group reports its primarily segment information.

Segment information about these businesses is presented below:

Six months ended 31 December 2005

	General trading	**Property development**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
TURNOVER			
External sales	**2,144**	**–**	**2,144**
RESULT			
Segment result	**(9,373)**	**(24,086)**	**(33,459)**
Finance costs			**(18,303)**
Loss for the period			**(51,762)**

Six months ended 31 December 2004

	General trading	Property development	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
TURNOVER			
External sales	–	40,183	40,183
RESULT			
Segment result	(4,441)	20,325	15,884
Finance costs			(177)
Profit for the period			15,707

More than 90% of the Group's turnover was attributable to the operations carried out in Hong Kong.

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the current period condensed financial statements as the Group has no assessable profit for the period.

No provision for Hong Kong Profits Tax was made in the previous period condensed financial statements as the estimated assessable profit for that period was wholly absorbed by the tax losses brought forward.

6. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of the basic (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
(Loss) profit for the period attributable to equity holders of the Company	**(51,762)**	15,707

	2005	2004
Numbers of shares for the purposes of basic (loss) earnings per share	**528,271,615**	528,271,615

7. DIVIDEND

No dividends were paid by the Company in both periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, depreciation of approximately HK$2,290,000 (1.7.2004 to 31.12.2004: HK$1,508,000) were charged in respect of the Group's property, plant and equipment. The additions of property, plant and equipment for the period amounted to approximately HK$120,000 (1.7.2004 to 31.12.2004: HK$16,000).

9. PROPERTIES HELD FOR SALE

	31.12.2005	30.6.2005
	HK$'000	*HK$'000*
Carrying amount of properties held for sales	**1,055,869**	1,055,869

At 31 December 2005 and 30 June 2005, the properties held for sale are stated at cost.

10. AMOUNTS DUE TO DIRECTORS OF SUBSIDIARIES

The amounts are due to directors of subsidiaries including Lilian Oung, one of the shareholders of Five Star Investments Limited ("Five Star"), the controlling shareholder of the Company.

The amounts are unsecured, non-interest bearing and repayment on demand.

11. SECURED BANK LOANS

	31.12.2005	30.6.2005
	HK$'000	*HK$'000*
Secured HK$ term loan	**586,473**	591,000

The HK$ term loan of HK$591 million as at 30 June 2005 (the "Old HK$ Term Loan") was secured by a first legal charge over the Group's properties held for sale (the "Property") and a floating charge over all assets of Holyrood Limited ("Holyrood"), a wholly-owned subsidiary of the Company. Deposits, rental proceeds and sales proceeds regarding the Property were also assigned to the bank. The Old HK$ Term Loan borne interest at the prevailing market rates.

The original maturity date of the Old HK$ Term Loan was the earlier of (i) the date falling six months from the date of issuance of the occupation permit of the Property; and (ii) 30 September 2004. In March 2004, the maturity date of the Old HK$ Term Loan was changed to the earlier of (i) the date falling one month from the date of issuance of the certificate of compliance of the Property; and (ii) 31 December 2004.

During the year ended 30 June 2005, the bank further extended the repayment date of the Old HK$ Term Loan to a date falling one and a half months from the date of the issuance of the certificate of compliance of the Property (i.e. 15 August 2005).

On 22 July 2005, the Group entered into a loan agreement with certain banks and obtained a term loan in an aggregate principal amount of HK$994 million (the "New HK$ Term Loan") comprising (i) HK$919 million for refinancing the Old HK$ Term Loan of HK$591 million and the other loan of HK$155 million from an unrelated company (both together with accrued interest and other related charges) (see note 12 (c)); and (ii) HK$75 million for financing the construction cost of the Property. The New HK$ Term Loan shall be repayable by two installments with the first repayment to reduce the outstanding term loan to HK$442 million on the date falling six months after the date of the first advance of the loan (i.e. 22 January 2006) and the balance of the outstanding loan amount shall be repayable on the date falling twelve months after the date of signing the loan agreement (i.e. 21 July 2006).

On 24 January 2006, the Group entered into a supplemental loan agreement with those banks to amend the terms of the loan agreement of the New HK$ Term Loan dated 22 July 2005. Under the terms of the supplemental loan agreement, the Group partially repaid the outstanding loan in an amount of approximately HK$57,930,000 to those banks on 26 January 2006 and the remaining outstanding loan amount of approximately HK$528,543,000 shall be repayable on 28 April 2006.

The New HK$ Term Loan is secured by a first legal charge over the Property and a floating charge over all assets of Holyrood. Deposits, rental proceeds and sales proceeds regarding the Property are also assigned to the banks. The New HK$ Term Loan bears interest at the prevailing market rates.

12. OTHER LOANS

	31.12.2005	30.6.2005
	HK$'000	*HK$'000*
Other loans from:		
– related companies *(note a)*	**250,868**	271,013
– an unrelated companies *(note b)*	**39,546**	39,232
– an unrelated company *(note c)*	**–**	155,000
– an unrelated company *(note d)*	**75,520**	77,465
	365,934	542,710
Less: Amounts due within one year shown under current liabilities	**(294,199)**	(469,451)
Amounts due after one year	**71,735**	73,259

Notes:

(a) The loans are owed to companies in which a director of subsidiaries and/or Messrs. Oung Shih Hua James, Chen Te Kuang Mike and Law Fong, directors of the Company, have controlling interests. The loans are unsecured, non-interest bearing and repayable on demand.

(b) The loan is unsecured, non-interest bearing and repayable on demand.

(c) The loan was secured, interest bearing at 2% per annum and repayable on the earlier of (i) the date falling the last date of six months period after the date of the issuance of the occupation permit of the Property; and (ii) 1 October 2004 (the "Maturity Date"). Repayment of that loan was subordinated to the Old HK$ Term Loan obtained from a bank (together with the accrued interest and other bank charges) referred to note 11 above being repaid in full.

In addition, the Group agreed to pay the lender an amount equivalent to 10% of the excess of the value of the Group's properties under development as of 30 September 2004 performed by an independent professional valuer on an open market value basis over HK$660,000,000 (the "Additional Amount"). The Additional Amount was due for payment on the expiration of 31 days after the Maturity Date (i.e. 1 November 2004). The directors of the Company estimated that the Additional Amount would be HK$134,000,000. At 30 June 2005, the Group had fully recognised the Additional Amount of HK$134,000,000 as finance costs and the Additional Amount of HK$134,000,000 was included in other payables at 30 June 2005.

In February 2005, the Group entered into a supplement deed with the lender in order to extend the repayment date of the loan and the Additional Amount of HK$134,000,000 to 30 June 2005. The Group agreed to further pay an amount equivalent to 10% of the net value of the Property which was the excess of the estimated aggregate amount of sales proceeds of the Property over HK$2,000,000,000 (the "Net Value Amount"). The directors of the Company estimated that the Net Value Amount would be HK$27,020,000 and the amount had been recognised as finance costs for the year ended 30 June 2005 and was included in other payables at 30 June 2005.

In addition, the Group also agreed to pay default interest of HK$21,577,000 and a lump sum compensation of HK$7,592,000 to the lender. These amounts had been recognised as finance costs for the year ended 30 June 2005 and were included in other payables at 30 June 2005.

The Net Value Amount, the default interest and the lump sum compensation shall also be repayable on 30 June 2005.

In July 2005, the Group obtained the New HK$ Term Loan of HK$994 million from certain banks to refinance the loan together with accrued interest and other related charges. The Group also repaid the Additional Amount, the Net Value Amount and the lump sum compensation of HK$7,592,000 to the lender during the six months period ended 31 December 2005.

(d) The loan is owed to an independent third party, namely Fine Chiffon Corporation Limited ("Fine Chiffon"). The loan was obtained by Fine Chiffon from a bank and was granted to the Group with the same terms offered by the bank. The loan is secured, interest bearing at the prevailing market rates and repayable by 180 monthly equal instalments.

The Company provides a corporate guarantee of HK$80 million to the bank and the Group's leasehold land and buildings are also pledged to the bank as security.

13. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or prior interim reporting periods.

14. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to secure credit facilities granted to the Group.

	31.12.2005	30.6.2005
	HK$'000	*HK$'000*
Properties held for sale	**1,055,869**	1,055,869
Leasehold land and buildings	**172,198**	174,488
Property sale receivables	**–**	383,201
Receivables from stakeholder's account	**–**	21,923
Bank deposits	**–**	3,183
	1,228,067	1,638,664

The issued ordinary shares of Holyrood were also pledged to certain banks to secure credit facilities granted to the Group (see note 11).

15. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

(a) Five Star pledged its interest in 50.7% of issued share capital of the Company, representing 267,815,017 shares in the Company, to a bank to secure credit facilities to the extent of HK$700,000,000 granted to the Group at 30 June 2005.

(b) Lilian Oung, one of the shareholders of Five Star and a director of the Company's subsidiaries, has provided personal guarantees in respect of the following:

	31.12.2005	30.6.2005
	HK$'000	*HK$'000*
Credit facilities granted to the Group	**1,074,000**	780,000
The Group's payment obligation of amount owed to a former main contractor of the Group's property development project	**15,919**	15,919
	1,089,919	795,919

(c) Details of the amounts due to directors of subsidiaries including Lilian Oung are set out in note 10.

(d) Details of the other loans from related companies in which the directors of the Company and Lilian Oung have controlling interests are set out in note 12.

16. POST BALANCE SHEET EVENT

Subsequent to 31 December 2005, the Group entered into a supplemental loan agreement with certain banks to amend the terms of the loan agreement of the New HK$ Term Loan dated 22 July 2005. Under the terms of the supplemental loan agreement, the Group partially repaid the outstanding loan in an amount of approximately HK$57,930,000 to the banks on 26 January 2006 and the remaining outstanding loan amount of approximately HK$528,543,000 shall be repayable on 28 April 2006.