



## NOTES TO THE 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 ("HKICPA").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The accounting policies used in preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective or available for early adoption for accounting periods beginning on or after 1 January 2006. The adoption of new HKFRSs had no material effect on how the results for current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been applied.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** *(continued)***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. No further geographical segment information is presented as the Group's revenue is derived from customers based in the People's Republic of China ("PRC"), and over 90% of the Group's assets are located in the PRC.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. 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; and
- (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 transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** *(continued)***2. SEGMENT INFORMATION** *(continued)*

Business segments

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

**Six months ended 30 June 2006**

	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	86	3,148	8,876	12,110
Segment results	48	(299)	(1,208)	(1,459)
Interest income and other unallocated revenue				193
Unallocated expenses				(4,737)
Operating loss				(6,003)
Finance costs				(4,315)
Share of profit of a jointly-controlled entity				31,074
Profit before income tax				20,756
Income tax expense				(302)
Profit for the period				20,454
Attributable to:				
Equity holders of the Company				20,454
Minority interests				-
				20,454



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

### 2. SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

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 and other unallocated revenue				17
Unallocated expenses				(4,982)
Operating loss				(12,793)
Finance costs				(5,388)
Share of profit of a jointly-controlled entity				25,725
Profit before income tax				7,544
Income tax expense				-
Profit for the period				7,544
Attributable to:				
Equity holders of the Company				9,659
Minority interests				(2,115)
				7,544

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** *(continued)***3. OTHER REVENUE**

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest income	<b>15</b>	2
Others	<b>178</b>	15
	<b>193</b>	17

**4. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest expenses on:		
Interest-bearing borrowings wholly repayable within five years	<b>4,315</b>	3,066
Loan from a jointly-controlled entity	<b>—</b>	2,322
	<b>4,315</b>	5,388



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

### 5. INCOME TAX EXPENSE

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 2006 and 2005. 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.

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2006</b>	2005
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Group – current tax:		
Hong Kong	–	–
Elsewhere	<b>302</b>	–
	<hr/>	<hr/>
Tax charge for the period	<b>302</b>	–
	<hr/>	<hr/>

### 6. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the Company of approximately HK\$20,454,000 (2005: HK\$9,659,000) and the weighted average of 421,934,200 (2005: 421,934,200) ordinary shares in issue during the period.

Diluted earnings per share amount for the six months ended 30 June 2006 and 2005 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.

### 7. INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** *(continued)***8. ACCOUNTS RECEIVABLE**

Included in accounts receivable are the amounts due from contract customers of nil (2005: approximately HK\$1,706,000) and other accounts receivable of approximately HK\$3,536,000 (2005: HK\$2,413,000).

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

	<b>30 June 2006 (Unaudited) HK\$'000</b>	<b>31 December 2005 (Audited) HK\$'000</b>
Less than one month	<b>2,725</b>	2,253
Two to three months	<b>1,570</b>	–
Over three months	<b>3,310</b>	4,305
	<b>7,605</b>	6,558
Less: Provision for impairment losses	<b>(4,069)</b>	(4,145)
	<b>3,536</b>	2,413

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. An impairment loss is made on accounts receivable based on a review of all outstanding amounts on regular basis when collection of the amount is in doubt. Bad debts are written off when identified.

The Directors consider that the carrying amounts of the accounts receivable approximate their fair values.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

### 9. ACCOUNTS PAYABLE

Included in accounts payable are the amounts due to contract customers of approximately HK\$5,325,000 (2005: HK\$2,615,000) and other accounts payable of approximately HK\$10,201,000 (2005: HK\$13,351,000).

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

	<b>30 June 2006 (Unaudited) HK\$'000</b>	<b>31 December 2005 (Audited) HK\$'000</b>
Less than one month	<b>75</b>	2,545
Two to three months	<b>121</b>	305
Over three months	<b>10,005</b>	10,501
	<b>10,201</b>	13,351

The amounts due to contract customers represent the excess of progress billings raised by the Group for the respective contracts over the contract costs incurred to date by the Group plus recognized profits less recognized losses as at the balance sheet date.

The Directors consider that the carrying amounts of the accounts payable approximate their fair values.





## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

### 10. INTEREST-BEARING BORROWINGS

During the period, the Group reduced the other loan facility from HK\$35,000,000 to HK\$30,000,000 and the captioned loan was due for payment on 25 August 2006. Subsequent to the balance sheet date, the Company has obtained a letter from the lender on 24 August 2006 to extend the repayment date to 23 February 2007. As at 30 June 2006, the secured other loan of the Group amounted to HK\$30,000,000 bears interest at 2% 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 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 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 in 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, investment properties and assets of EPD;
- (viii) a deed of guarantee signed by Mr. Zhou Chu Jian He, Chairman of the Board;



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

### 10. INTEREST-BEARING BORROWINGS *(continued)*

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

Another loan of HK\$4,630,000 as at 30 June 2006 is unsecured and bears interest at 9.5% per annum.

### 11. SHARE CAPITAL

	<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
<i>Authorised:</i>		
25,000,000,000 ordinary shares of HK\$0.10 each	<b>2,500,000</b>	2,500,000
<i>Issued and fully paid:</i>		
421,934,200 ordinary shares of HK\$0.10 each	<b>42,193</b>	42,193



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

### 12. CONTINGENT LIABILITIES

WHRED has given corporate guarantees to a bank (the "Bank") for mortgage loans granted to the buyers of its properties.

In September 2004, due to the default payments by certain borrowers, the Bank commenced legal action against WHRED requesting WHRED to repay the guaranteed amount of approximately HK\$1 million. Based on the legal opinion from a PRC lawyer in Wuhan, the amount payable by WHRED would be limited to the outstanding balances after the sales proceeds from the mortgaged properties. As at 31 December 2004, the subject mortgaged properties had a current market value of approximately HK\$1 million. As WHRED was reclassified as an available-for-sale investment during the year ended 31 December 2004, and the Group has not provided any financial guarantee to WHRED, the Directors do not expect the above claims to have any impact on the Group.

### 13. PENDING LITIGATION

In December 2002, a former director of a subsidiary which was disposed of in prior years 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.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(continued)*

### 14. COMMITMENTS

#### (a) Operating lease commitments:

As at 30 June 2006, the Group had total future minimum lease payment under non-cancellable operating lease commitments as follows:

	<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
Within one year	<b>24</b>	126

The Group's share of a jointly-controlled entity's own total future minimum lease payment under non-cancellable operating lease commitments, payable to Wuhan Department Store Group Company Limited which owns 51% equity interest of the jointly-controlled entity, WPM, is as follows:

	<b>30 June 2006 (Unaudited) HK\$'000</b>	31 December 2005 (Audited) HK\$'000
Within one year	<b>16,025</b>	32,050

#### (b) Capital commitments:

The Group and the Company did not have any significant commitments (2005: Nil) and no significant share of a jointly-controlled entity's own capital commitments (2005: Nil) as at the balance sheet date.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** *(continued)***15. 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:

	<b>Six months ended</b>	
	<b>30 June 2006 (Unaudited) HK\$'000</b>	30 June 2005 (Unaudited) HK\$'000
Interest expense paid to a jointly-controlled entity ( <i>Note (i)</i> )	–	2,322
Acquisition of leasehold land and building ( <i>Note (ii)</i> )	<b>2,293</b>	–

*Notes:*

- (i) 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.

Pursuant to a debt settlement agreement dated 13 February 2003, the loan from WPM was restructured into a term loan at an interest rate equivalent to that of an one-year term loan quoted by the People's Bank of China, and is repayable over five years through dividend distributions by WPM for the period up to December 2007. Effective from 1 January 2006, no interest will be charged on the loan granted to the Group pursuant to the resolution of the Board of Directors of WPM dated 23 May 2006.

- (ii) Acquisition of 5 office premises units situated in Wuhan, PRC, which are occupied by a 51% subsidiary.

**16. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 8 September 2006.

By Order of the Board  
**Zhou Chu Jian He**  
*Chairman*

Hong Kong, 8 September 2006