

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31st May, 2001

	<i>HK\$'000</i> (Unaudited)
Net cash inflow from operating activities	72,395
Net cash outflow from returns on investments and servicing of finance	(4,688)
Taxation refunded	20,617
Net cash outflow from investing activities	(34,383)
Net cash inflow before financing	53,941
Net cash outflow from financing	(67,810)
Decrease in cash and cash equivalents	(13,869)
Cash and cash equivalents at beginning of the period	106,483
Effect of foreign exchange rate changes	13
Cash and cash equivalents at end of the period	92,627
Analysis of cash and cash equivalents	
Bank balances and cash	93,165
Bank overdrafts	(538)
	92,627

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of presentation

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and other investments.

The condensed financial statements have been prepared in accordance with SSAP 25 issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Listing Rules, except that comparative figures are not presented for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1st July, 2000. Such departures from SSAP 25 are permitted under the Listing Rules.

1. Basis of presentation – continued

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 30th November, 2000 except as described below. In the current period, the Group has adopted for the first time a number of new and revised SSAPs issued by the Hong Kong Society of Accountants which has resulted in the following changes in accounting policies. Certain comparative figures in the consolidated income statement have been reclassified to conform with the presentation of the annual financial statements for the year ended 30th November, 2000.

Segment reporting

The Group has chosen to adopt SSAP 26 "Segment reporting" for the first time in this interim reporting period, in advance of its effective date. In previous years, segment disclosures have been presented in accordance with the disclosure requirements of the Listing Rules. For the purposes of this interim report, the adoption of SSAP 26 has resulted in a re-specification of some reportable segments. Segment disclosures for the six months ended 31st May, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the subsidiary and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary and the date of adoption of SSAP 30 has been recognised retrospectively. The effect of these adjustments resulted in an increase in accumulated profits as at 1st December, 1999 of HK\$22,351,000. Following restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets. Goodwill is amortised over its estimated useful life, i.e. over period ranging between 5 and 20 years. Negative goodwill will be released to income based on the analysis of the circumstances from which the balance was resulted.

2. Turnover

Turnover represents the aggregate of amounts received and receivable from the sales of properties, property rental income and cosmetics goods sold to outside customers less returns.

3. Segment information

Business segments

	Property development and trading		Property leasing		Cosmetics trading		Consolidated	
	Six months ended 31st May, 2001		Six months ended 31st May, 2001		Six months ended 31st May, 2001		Six months ended 31st May, 2001	
	2000	2001	2000	2001	2000	2001	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	<u>53,843</u>	<u>34,440</u>	<u>11,005</u>	<u>10,799</u>	<u>2,000</u>	<u>3,070</u>	<u>66,848</u>	<u>48,309</u>
Segment result	<u>(43,404)</u>	<u>3,600</u>	<u>8,437</u>	<u>8,610</u>	<u>742</u>	<u>1,211</u>	<u>(34,225)</u>	<u>13,421</u>
Unallocated operating expenses							<u>(12,265)</u>	<u>(2,642)</u>
(Loss) profit from operations							<u>(46,490)</u>	<u>10,779</u>

3. Segment information – continued

By geographical markets

	Turnover		Contribution to (loss) profit from operations	
	Six months ended 31st May,		Six months ended 31st May,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	58,140	40,235	(53,647)	1,523
Elsewhere in the People's Republic of China ("PRC")	8,708	8,074	7,157	9,256
	<u>66,848</u>	<u>48,309</u>	<u>(46,490)</u>	<u>10,779</u>

4. Staff expenses and depreciation

	Six months ended 31st May,	
	2001	2000
	HK\$'000	HK\$'000
Staff expenses		
– Selling and marketing expenses	119	122
– Administrative expenses	3,172	3,438
	<u>3,291</u>	<u>3,560</u>
Depreciation		
– Selling and marketing expenses	1	88
– Administrative expenses	17	22
	<u>18</u>	<u>110</u>

5. Other operating (expenses) income

	Six months ended 31st May,	
	2001	2000
	HK\$'000	HK\$'000
Gain on disposal of investment properties	56	2,625
Legal expenses in respect of lawsuits	(7,883)	(376)
	<u>(7,827)</u>	<u>2,249</u>

During the period, the legal expenses were incurred for legal disputes of property development projects in Hong Kong and PRC.

6. Investment income (expenses)

	Six months ended 31st May,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	7,610	3,722
Unrealised holding gain (loss) on other investments	5,073	(4,806)
	12,683	(1,084)

7. Other losses

	Six months ended 31st May,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for amounts due from associates	(1,290)	(8,062)
Loss on disposal of an associate	-	(9,315)
	(1,290)	(17,377)

8. Taxation

	Six months ended 31st May,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
The credit (charge) comprises:		
Company and subsidiaries		
- Hong Kong		
current period	(846)	(1,540)
overprovision in prior years	25,283	-
	24,437	(1,540)
Associates		
- Hong Kong	(121)	(109)
- Other than Hong Kong	(10)	(9)
	(131)	(118)
	24,306	(1,658)

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the period. Taxation on profits of subsidiaries and associates arising outside Hong Kong has been provided for in accordance with the relevant local jurisdictions. The taxation credit represents a reversal of provision made upon refund of tax paid in previous years at the final resolution of an outstanding tax dispute.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is not significant.

8. Taxation – continued

Deferred tax has not been recognised in respect of the surplus or deficit arising on the revaluation of investment properties and other investments as profits or losses arising on disposal of these assets would not be assessable or allowable for tax purpose. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

9. Loss per share

The calculation of the loss per share is based on the loss attributable to shareholders for the period of HK\$11,151,000 (period ended 31st May, 2000: loss of HK\$11,197,000) and on the 959,899,416 (period ended 31st May, 2000: weighted average number of 665,407,531) ordinary shares in issue throughout the period.

10. Accounts receivables, deposits and prepayments

The Group operates a controlled credit policy and allows an average credit period of 30-90 days to its trade customers who satisfy the credit evaluation. Included in accounts receivables, deposits and prepayments are trade receivables of HK\$832,000 (30th November, 2000: HK\$1,529,000).

The following is an aging analysis of trade receivables at the reporting date:

	31st May, 2001	30th November, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	250	544
30-90 days	322	573
Over 90 days	260	412
	<hr/> 832 <hr/>	<hr/> 1,529 <hr/>

11. Accounts payables, rental deposits received and accruals

Included in accounts payables, rental deposits received and accruals are trade payables of HK\$290,000 (30th November, 2000: HK\$124,000).

The following is an aging analysis of trade payables at the reporting date:

	31st May, 2001	30th November, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	231	123
30-90 days	57	–
Over 90 days	2	1
	<hr/> 290 <hr/>	<hr/> 124 <hr/>

12. Share capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.40 each		
Authorised:		
At 1st December, 1999	800,000,000	320,000
Increase on 23rd June, 2000	2,200,000,000	880,000
	<u>3,000,000,000</u>	<u>1,200,000</u>
Issued and fully paid:		
At 1st December, 1999	613,496,416	245,398
New issue	346,403,000	138,562
	<u>959,899,416</u>	<u>383,960</u>

On 23rd June, 2000, the authorised share capital was increased from HK\$320,000,000 to HK\$1,200,000,000 by the creation of an additional 2,200,000,000 shares of HK\$0.40 each.

During the year ended 30th November, 2000, the Company had the following share issues:

Date of issue	Number of shares issued	Issue price per share
16th March, 2000	122,699,000	HK\$0.59
2nd June, 2000	63,804,000	HK\$0.52
21st July, 2000	159,900,000	HK\$0.48
	<u>346,403,000</u>	

13. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1st December, 1999						
As previously stated	640,791	22,351	437,153	(8,347)	621,367	1,713,315
Prior year adjustment (Note 1)	-	(22,351)	-	-	22,351	-
As restated	640,791	-	437,153	(8,347)	643,718	1,713,315
Exchange adjustment, net of minority interests	-	-	-	12	-	12
Shares issued at premium	43,761	-	-	-	-	43,761
Share issue expenses	(2,902)	-	-	-	-	(2,902)
Reserves released upon disposal of an associate	-	-	-	9,315	-	9,315
Share of associates' reserve movement during the year	-	-	-	368	-	368
Loss for the year	-	-	-	-	(434,815)	(434,815)
At 30th November, 2000	681,650	-	437,153	1,348	208,903	1,329,054
Exchange adjustment, net of minority interests	-	-	-	726	-	726
Loss for the period	-	-	-	-	(11,151)	(11,151)
At 31st May, 2001	<u>681,650</u>	<u>-</u>	<u>437,153</u>	<u>2,074</u>	<u>197,752</u>	<u>1,318,629</u>

14. Commitments and contingent liabilities

At the balance sheet date, the Group had the following commitments and contingent liabilities not provided for in the financial statements:

	31st May, 2001	30th November, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Commitments for property development expenditure contracted but not provided for	49,833	65,521
(b) Guarantees in respect of banking facilities of associates and investee company	67,467	68,408

15. Acquisition of additional interests in a subsidiary

During the period, the Group acquired an additional 20.3% interest in a subsidiary, Shanghai Golden Sea Building Limited ("Shanghai Golden Sea") which is the registered and beneficial owner of Peregrine Plaza, Shanghai at a consideration of HK\$24.4 million. The percentage of the beneficial interests in Peregrine Plaza has been increased from 70% to 90.3% upon completion of the acquisition. Negative goodwill of HK\$2,732,000 was recognised for the period.

16. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Six months ended 31st May, 2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest paid to ultimate holding company	7,071	13,408
Interest paid to a related company	324	1,104
Interest received from associates	59	139

In addition to the above, Chinese Estates, Limited, a wholly owned subsidiary of Chinese Estates Holdings Limited ("Chinese Estates"), a shareholder of the Company, performed certain administrative services for the Group, for which a management fee of HK\$24,000 (period ended 31st May, 2000: HK\$24,000) was charged, being an appropriate allocation of costs incurred by relevant administration departments.

Shanghai Golden Sea entered into a tenancy agreement with Evergo Holdings (China) Company Limited ("Evergo BVI"), a wholly owned subsidiary of Evergo China Holdings Limited ("Evergo China") which is an associate of Chinese Estates, pursuant to which Shanghai Golden Sea agreed to lease to Evergo BVI Unit 708 of Peregrine Plaza, Shanghai for a period of twenty six months commencing on 1st November, 2000 at a monthly rental of US\$1,452.30. On 30th June, 2001, Evergo BVI surrendered the said premises and entered into a new tenancy agreement with Shanghai Golden Sea for leasing Unit 03 on the Basement I of Peregrine Plaza for a period of two years commencing on 1st July, 2001 at a monthly rental of US\$702.60.

The House of Kwong Sang Hong Limited ("HKSH"), a subsidiary of the Company, entered into a tenancy agreement with Hillsborough Holdings Limited ("Hillsborough"), a wholly owned subsidiary of Chinese Estates, pursuant to which Hillsborough agreed to lease to HKSH Shop No. 2 on the ground floor of Causeway Place, Hong Kong for a period of two years commencing on 1st April, 2001 at a monthly rental of 50% of the gross shop revenue.