

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31ST JULY, 2001

1. BASIS OF PREPARATION

The condensed consolidated financial statements which have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st January, 2001, 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 HKSA, which has resulted in the adoption of the following new/revised accounting policies:

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see Note 12) to derecognise the liability for final dividend proposed.

Leases

In prior year, certain leasehold land in Guam, U.S.A., held by the Group and an associate was carried in the balance sheet at revalued amounts.

SSAP 14 (Revised) “Leases” has clarified that such leases should be classified as operating leases resulting in prior period adjustments (see Note 12). The effect of the adoption of this revised standard is to decrease the carrying value of other properties, interests in associates, other reserves and minority interests at 1st February, 2000 by HK\$3,120,000, HK\$13,697,000, HK\$13,939,000 and HK\$2,878,000 respectively.

Goodwill

In the current period, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st February, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill

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arising on acquisitions prior to 1st February, 2001 will be credited to income statement at the time of disposal of the relevant subsidiary or associate. In the current period, goodwill (negative goodwill) is disclosed separately to conform with the presentation requirement of Interpretation 13 “Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves” issued by the HKSA.

Goodwill arising on acquisitions after 1st February, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st February, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. TURNOVER

The Group’s turnover represents rental from lease of properties. More than 90% of the Group’s turnover and profit from operations were derived from lease of properties in Hong Kong.

4. OTHER REVENUE

Included in other revenue is bank interest income of HK\$2,037,000 (2000: HK2,525,000).

5. DEPRECIATION

Depreciation charges for the period in respect of the Group’s investment properties and other fixed assets amounted to HK\$8,000 (2000: HK\$8,000) and HK\$79,000 (2000: HK\$96,000) respectively.

6. FINANCE COSTS

Finance costs represent interest on bank and other borrowings wholly repayable within five years.

7. TAXATION

	Six months ended 31st July,	
	2001	2000
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	2,209	2,516
Overseas	87	59
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	2,296	2,575
Share of Hong Kong Profits Tax attributable to associates	24	52
	<hr/>	<hr/>
	<u>2,320</u>	<u>2,627</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) on the estimated assessable profit for the period. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

8. DIVIDEND

The directors have determined that an interim dividend of HK\$0.10 (2000: HK\$0.08) per ordinary share will be paid to the shareholders of the Company whose names appear in the Register of Members on 16th November, 2001.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the period of HK\$19,746,000 (2000: HK\$15,587,000) and on 67,760,000 (2000: 67,760,000) ordinary shares in issue during the period.

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

10. TRADE AND OTHER RECEIVABLES

The Group does not allow any credit period to its trade customers.

The following is an aged analysis of accounts receivable at the reporting date:

	31st July, 2001	31st January, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-60 days	3,163	4,323
61-90 days	468	614
Over 90 days	436	1,213
	4,067	6,150
	4,067	6,150

11. TRADE AND OTHER PAYABLES

The following is an analysis of accounts payable at the reporting date:

	31st July, 2001	31st January, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables due between 0-60 days	4,769	6,124
Other payables	37,929	64,582
	42,698	70,706
	42,698	70,706

12. RESERVES

	Investment revaluation reserve	Investment securities revaluation reserve	Goodwill reserve	Exchange fluctuation reserve	Dividend reserve	Other reserves	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
At 1st February, 2000								
- as originally stated	646,021	7,374	-	16,901	-	27,342	313,189	1,010,827
- derecognition of liability for 2000 final dividend to conform with SSAP 9 (revised)	-	-	-	-	13,552	-	-	13,552
- adjustment to conform with SSAP 14 (revised)	-	-	-	-	-	(13,939)	-	(13,939)
- reclassification	-	-	6,114	-	-	(6,114)	-	-
	<u>646,021</u>	<u>7,374</u>	<u>6,114</u>	<u>16,901</u>	<u>13,552</u>	<u>7,289</u>	<u>313,189</u>	<u>1,010,440</u>
2000 final dividend paid	-	-	-	-	(13,552)	-	-	(13,552)
Net decrease on revaluation of investment properties adjusted for minority interests	(4,357)	-	-	-	-	-	-	(4,357)
Gains on revaluation of investments in securities held by - subsidiaries, adjusted for minority interests	-	2,140	-	-	-	-	-	2,140
- associates	-	2,167	-	-	-	-	-	2,167
Profit for the year	-	-	-	-	-	-	32,405	32,405
Interim dividend paid	-	-	-	-	-	-	(5,421)	(5,421)
Amount set aside for 2001 final dividend	-	-	-	-	16,940	-	(16,940)	-
At 31st January, 2001	<u>641,664</u>	<u>11,681</u>	<u>6,114</u>	<u>16,901</u>	<u>16,940</u>	<u>7,289</u>	<u>323,233</u>	<u>1,023,822</u>
2001 final dividend paid	-	-	-	-	(16,940)	-	-	(16,940)
Losses on revaluation of investments in securities held by - subsidiaries, adjusted for minority interests	-	(2,287)	-	-	-	-	-	(2,287)
- associates	-	(196)	-	-	-	-	-	(196)
Profit for the period	-	-	-	-	-	-	19,746	19,746
Amount set aside for interim dividend	-	-	-	-	6,776	-	(6,776)	-
At 31st July, 2001	<u>641,664</u>	<u>9,198</u>	<u>6,114</u>	<u>16,901</u>	<u>6,776</u>	<u>7,289</u>	<u>336,203</u>	<u>1,024,145</u>

The Group's retained profits attributable to associates at 31st July, 2001 amounted to approximately HK\$800,000 (31st January, 2001: HK\$636,000).

13. PLEDGE OF ASSETS

At the balance sheet date, properties of the Group with an aggregate book value of approximately HK\$903 million (31st January, 2001: HK\$903 million) were mortgaged or charged to banks for credit facilities granted to the Group.