

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31ST JULY, 2003**

**1. BASIS OF PREPARATION**

The condensed financial statements have been prepared 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 and with Statement of Standard Accounting Practice No. (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

**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, 2003, except that in the current period, the Group has adopted SSAP 12 (Revised) “Income Taxes”.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for the corresponding prior period have been restated accordingly.

The financial effects of the adoption of SSAP 12 (Revised) are summarised below:

	At 1st February, 2003			At 1st February, 2002		
	As originally stated <i>HK\$'000</i>	Prior period adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>	As originally stated <i>HK\$'000</i>	Prior period adjustments <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Retained profits	317,056	(2,668)	314,388	294,885	(1,319)	293,566
Other reserves	9,654	(652)	9,002	9,654	(652)	9,002
	326,710	(3,320)	323,390	304,539	(1,971)	302,568
Minority interests	83,977	(312)	83,665	91,060	(275)	90,785
Deferred tax liabilities	1,873	4,050	5,923	1,767	3,417	5,184
Deferred tax assets	–	418	418	–	1,171	1,171

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The adoption of SSAP 12 (Revised) has resulted in a decrease in the profit of the Group for the six months ended 31st July, 2003 by HK\$611,000 (2002: HK\$613,000).

**3. SEGMENT INFORMATION**

The businesses based upon which the Group reports its primary segment information are as follows:

- Property letting – lease of properties in Hong Kong and Guam, U.S.A.  
 Land investment – investment in land for long term purposes

**Six months ended 31st July, 2003**

	<b>Property letting</b> <i>HK\$'000</i>	<b>Land investment</b> <i>HK\$'000</i>	<b>Other operations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Segment turnover	<u>30,223</u>	<u>–</u>	<u>–</u>	<u>30,223</u>
Segment results	<u>23,930</u>	<u>–</u>	<u>157</u>	24,087
Interest and other income				281
Unallocated corporate expenses				<u>(6,029)</u>
Profit from operations				18,339
Finance costs				(1,623)
Share of results of associates		9	(71)	<u>(62)</u>
Profit before taxation				16,654
Taxation				<u>(3,067)</u>
Profit before minority interests				13,587
Minority interests				<u>(1,071)</u>
Net profit for the period				<u><u>12,516</u></u>

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**Six months ended 31st July, 2002**

	<b>Property letting</b>	<b>Land investment</b>	<b>Other operations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment turnover	<u>34,592</u>	<u>–</u>	<u>–</u>	<u>34,592</u>
Segment results	<u>28,670</u>	<u>–</u>	<u>148</u>	28,818
Interest and other income				533
Unallocated corporate expenses				<u>(6,375)</u>
Profit from operations				22,976
Finance costs				(2,515)
Share of results of associates		(13)	(139)	<u>(152)</u>
Profit before taxation				20,309
Taxation				<u>(2,978)</u>
Profit before minority interests				17,331
Minority interests				<u>(1,315)</u>
Net profit for the period				<u>16,016</u>

**4. OTHER OPERATING INCOME**

Included in other operating income is interest on bank deposits of HK\$236,000 (2002: HK\$374,000).

**5. DEPRECIATION**

Depreciation charges of the Group for the period amounted to a total of HK\$167,000 (2002: HK\$141,000).

**6. OTHER OPERATING EXPENSES**

Other operating expenses for the period ended 31st July, 2003 comprised expenses incurred in connection with the proposed privatisation of the Company and related legal and financial advisory fees.

Other operating expenses for the period ended 31st July, 2002 comprised expenses incurred in connection with the proposed open offer of new shares in the Company and legal and financial advisory fees.

**7. FINANCE COSTS**

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

**8. TAXATION**

	<b>Six months ended</b>	
	<b>31st July,</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	2,451	2,361
Deferred tax:		
Current year	179	617
Attributable to an increase in tax rate	437	–
	<u>          </u>	<u>          </u>
Taxation attributable to the Company and its subsidiaries	<u>          3,067</u>	<u>          2,978</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the period.

During the period, the Hong Kong Profits Tax rate was increased from 16% to 17.5%. The effect of this increase has been accounted for in the financial statements.

**9. DIVIDEND**

The directors do not recommend the payment of an interim dividend. In respect of the previous period, an interim dividend of HK8 cents per ordinary share was paid to shareholders.

**10. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the net profit for the period of HK\$12,516,000 (2002: HK\$16,016,000) and on 67,760,000 (2002: 67,760,000) ordinary shares in issue during the period.

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

**11. INVESTMENT PROPERTIES**

The Group's investment properties situated in Hong Kong and in Guam, U.S.A., were revalued on 31st July, 2003 by Messrs. DTZ Debenham Tie Leung Limited and Micronesian Appraisal Associates, Inc., respectively.

The revaluation gave rise to a net deficit of HK\$85,792,000 which has been charged to reserves.

**OXFORD PROPERTIES & FINANCE LIMITED****12. TRADE AND OTHER RECEIVABLES**

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

The following is an aged analysis of trade and other receivables at the reporting date:

	<b>31st July, 2003</b>	<b>31st January, 2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	2,447	2,906
61 – 90 days	350	289
Over 90 days	613	1,159
	<u>3,410</u>	<u>4,354</u>

**13. TRADE AND OTHER PAYABLES**

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

	<b>31st July, 2003</b>	<b>31st January, 2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables due between 0 – 60 days	3,679	2,560
Unclaimed dividends payable	42,992	43,031
	<u>46,671</u>	<u>45,591</u>

**14. BANK LOANS, SECURED**

During the period, a bank loan amounted to approximately HK\$63 million was renewed. Such bank loan to the extent of approximately HK\$60 million (31st January, 2003: HK\$41 million) is repayable after one year and has been reclassified as a non-current liability.

**15. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Nominal value <i>HK\$'000</i></b>
Ordinary shares of HK\$1 each		
Authorised:		
At 31st July, 2003 and 31st January, 2003	<u>100,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 31st July, 2003 and 31st January, 2003	<u>67,760,000</u>	<u>67,760</u>

## 16. RESERVES

	Investment property revaluation reserve HK\$'000	Investment securities revaluation reserve HK\$'000	Negative goodwill HK\$'000	Exchange translation reserve HK\$'000	Other reserves HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st February, 2002								
– as originally stated	532,208	9,813	6,114	16,901	9,654	13,552	294,885	883,127
– adjustments on adoption of SSAP 12 (Revised) (Note 2)	–	–	–	–	(652)	–	(1,319)	(1,971)
– as restated	532,208	9,813	6,114	16,901	9,002	13,552	293,566	881,156
Net decrease on revaluation of investment properties adjusted for minority interests	(183,313)	–	–	–	–	–	–	(183,313)
Net decrease on revaluation of investments in securities held by – subsidiaries, adjusted for minority interests	–	(890)	–	–	–	–	–	(890)
– associates	–	(2,704)	–	–	–	–	–	(2,704)
Net profit for the year	–	–	–	–	–	–	26,060	26,060
2002 final dividend paid	–	–	–	–	–	(13,552)	–	(13,552)
Amount set aside for payment of dividend	–	–	–	–	–	5,421	(5,421)	–
Unclaimed dividends written back	–	–	–	–	–	–	183	183
Interim dividend paid	–	–	–	–	–	(5,421)	–	(5,421)
As 31st January, 2003	348,895	6,219	6,114	16,901	9,002	–	314,388	701,519
At 1st February, 2003								
– as originally stated	348,895	6,219	6,114	16,901	9,654	–	317,056	704,839
– adjustments on adoption of SSAP 12 (Revised) (Note 2)	–	–	–	–	(652)	–	(2,668)	(3,320)
– as restated	348,895	6,219	6,114	16,901	9,002	–	314,388	701,519
Net increase on revaluation of investments in securities held by – subsidiaries, adjusted for minority interests	–	642	–	–	–	–	–	642
– associates	–	373	–	–	–	–	–	373
Net decrease on revaluation of investment properties adjusted for minority interests	(85,792)	–	–	–	–	–	–	(85,792)
Net profit for the period	–	–	–	–	–	–	12,516	12,516
At 31st July, 2003	263,103	7,234	6,114	16,901	9,002	–	326,904	629,258

**17. PLEDGE OF ASSETS**

At the balance sheet date, properties of the Group with an aggregate book value of approximately HK\$587 million (31st January, 2003: HK\$659 million) were mortgaged or charged to banks for credit facilities granted to the Group.