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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**1. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements (the “Interim Accounts”) have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the requirements of the Rules Governing The Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and basis of preparation used in the preparation of the Interim Accounts are the same as those used in the Group’s annual financial statements for the year ended 31 March 2001, except for the revised SSAP 14 “Leases” has been adopted for the first time in the preparation of the current period Interim Accounts. The revised SSAP 14 prescribes the appropriate accounting policies and disclosures to apply in relation to operating lease arrangements. The principal impact of the revised SSAP 14 on the preparation of these financial statements is that the total aggregate future minimum lease receipts under non-cancellable operating leases are required to be disclosed in the supporting notes to the financial statements. There were no changes arising from the amended measurement requirements of the SSAP.

**2. TURNOVER AND SEGMENTAL INFORMATION**

Turnover represents the gross rental income and management fees derived from the investment properties during the period.

Turnover and contribution to profit from operating activities for the six months ended 30 September 2001 are all generated by business in Hong Kong.

**3. PROFIT FROM OPERATING ACTIVITIES**

The Group's profit from operating activities is arrived at after charging/(crediting)

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Staff costs (including directors' remuneration)		
Wages and salaries	179	3,150
Pension costs	—	102
	<u>179</u>	<u>3,252</u>
Depreciation	1	2
Interest income	<u>(77)</u>	<u>(64)</u>

**4. TAX**

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2000: Nil).

No provision for deferred tax has been made as the net effect of timing differences is insignificant (2000: Nil).

The revaluation of the Group's investment properties does not constitute a timing difference and consequently, the amount of potential deferred tax thereon has not been quantified.

**5. LOSS PER SHARE**

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the period ended 30 September 2001 of HK\$3,115,000 (2000: HK\$62,542,000) and the weighted average of 660,813,187 (2000: 216,371,803) ordinary shares in issue during the period.

No diluted loss per share has been presented as the exercise of the Company's outstanding exercisable share options and redeemable convertible preference shares during both periods would be anti-dilutive.

**6. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

Included in prepayments, deposits and other receivables, a total of HK\$21.2 million was a deposit paid for the acquisition of 30% equity interest in an investment which engaged in the provision of network based information services to the participants in the shipping and logistic industry in Hong Kong and in the mainland China.

## 7. ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and normally allows an average credit period of 30 days to its tenants. The ageing analysis of the accounts receivable is as follows:

	As at	
	30 September 2001 <i>HK\$'000</i> (unaudited)	31 March 2001 <i>HK\$'000</i> (audited)
Within 1 month	1,179	1,411
1 to 3 months	968	1,605
Over 3 months	918	815
	<u>3,065</u>	<u>3,831</u>

## 8. INTEREST-BEARING BANK LOAN AND OTHER BORROWINGS

	30 September 2001 <i>HK\$'000</i> (unaudited)	31 March 2001 <i>HK\$'000</i> (audited)
Bank loan, secured	<u>172,589</u>	<u>177,012</u>
Other borrowing, unsecured	–	<u>12,195</u>
Bank overdraft, secured	<u>81,029</u>	–
Promissory notes payable		
– Secured	–	314,024
– Unsecured	<u>19,488</u>	–
	<u>19,488</u>	<u>314,024</u>
Secured convertible note	–	<u>85,000</u>
Total bank loan and other borrowings	<u>273,106</u>	<u>588,231</u>
Portion classified as current liabilities	<u>(93,636)</u>	<u>(491,036)</u>
Long term portion	<u>179,470</u>	<u>97,195</u>

8. INTEREST-BEARING BANK LOAN AND OTHER BORROWINGS (Continued)

**Bank loan**

The bank loan is repayable:

	As at	
	30 September 2001 <i>HK\$'000</i> (unaudited)	31 March 2001 <i>HK\$'000</i> (audited)
Within one year	8,119	177,012
In the second year	8,549	–
In the third to fifth years, inclusive	28,178	–
Beyond five years	127,743	–
	<u>172,589</u>	<u>177,012</u>

The bank loan is secured by certain of the Group's investment properties with an aggregate value of HK\$350,000,000 and an assignment of the rental income derived therefrom.

**Other borrowing**

	As at	
	30 September 2001 <i>HK\$'000</i> (unaudited)	31 March 2001 <i>HK\$'000</i> (audited)
Within one year	–	–
In the second year	–	12,195
	<u>–</u>	<u>12,195</u>

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**8. INTEREST-BEARING BANK LOAN AND OTHER BORROWINGS (Continued)**
**Promissory notes payable**

	As at	
	30 September 2001 <i>HK\$'000</i> (unaudited)	31 March 2001 <i>HK\$'000</i> (audited)
Within one year	4,488	314,024
In the second year	<u>15,000</u>	<u>—</u>
	<u><u>19,488</u></u>	<u><u>314,024</u></u>

As at 30 September 2001, promissory notes payable are unsecured, bear interest at prime rate per annum and are repayable within one year except for a promissory note payable of HK\$15,000,000, which is repayable on 18 September 2003.

**Convertible notes, secured**

	As at	
	30 September 2001 <i>HK\$'000</i> (unaudited)	31 March 2001 <i>HK\$'000</i> (audited)
Within one year	<u>—</u>	<u>85,000</u>

9. SHARE CAPITAL

	30 September 2001		31 March 2001	
	Number of shares <i>(in thousand)</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Unaudited)</b>	Number of shares <i>(in thousand)</i> <b>(Audited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
Authorised:				
Ordinary shares of HK\$0.25 each	<b>3,920,000</b>	<b>980,000</b>	3,920,000	980,000
'A' Redeemable convertible preference shares of HK\$0.25 each	<b>400,000</b>	<b>100,000</b>	–	–
'B' Redeemable convertible preference shares of HK\$0.25 each	<b>284,000</b>	<b>71,000</b>	–	–
Issued and fully paid:				
Ordinary shares of HK\$0.25 each				
At 31 March 2001 (audited)	<b>594,000</b>	<b>148,500</b>		
Issue of shares	<b>160,000</b>	<b>40,000</b>		
At 30 September 2001 (unaudited)	<b>754,000</b>	<b>188,500</b>		
'A' Redeemable convertible preference shares of HK\$0.25 each				
At 31 March 2001 (audited)	–	–		
Issue of shares	<b>400,000</b>	<b>100,000</b>		
At 30 September 2001 (unaudited)	<b>400,000</b>	<b>100,000</b>		
'B' Redeemable convertible preference shares of HK\$0.25 each				
At 31 March 2001 (audited)	–	–		
Issue of shares	<b>284,000</b>	<b>71,000</b>		
At 30 September 2001 (unaudited)	<b>284,000</b>	<b>71,000</b>		

**9. SHARE CAPITAL (Continued)**

During the period, the following movements in share capital were recorded:

- (a) On 14 May 2001, the Company placed, through a placing agent, 80,000,000 new ordinary shares of the Company at HK\$0.25 each to some independent investors.
- (b) Pursuant to the debt restructuring exercises completed on 18 September 2001, 80,000,000 new ordinary shares, 400,000,000 'A' Redeemable convertible preference shares and 284,000,000 'B' Redeemable convertible preference shares of the Company at a price of HK\$0.25 each were issued and allotted in full.

**10. RESERVES**

	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2001 (audited)	544,381	(84)	6,000	19,124	(825,525)	(256,104)
Share issue expenses (unaudited)	(200)	-	-	-	-	(200)
Release upon disposal of an associate (unaudited)	-	84	-	(14,124)	-	(14,040)
Loss for the period (unaudited)	-	-	-	-	(3,115)	(3,115)
At 30 September 2001 (unaudited)	<u>544,181</u>	<u>-</u>	<u>6,000</u>	<u>5,000</u>	<u>(828,640)</u>	<u>(273,459)</u>

**11. OPERATING LEASE ARRANGEMENTS**

At the balance sheet date, the Group had minimum total lease receivables under non-cancellable operating leases which fall due as follows:

	As at	
	30 September 2001 <i>HK\$'000</i> (unaudited)	31 March 2001 <i>HK\$'000</i> (audited)
Within one year	17,697	17,285
After 1 year but within 5 years	6,451	6,207
	<u>24,148</u>	<u>23,492</u>

Operating lease receivables represent rental income receivable by the Group for certain of its investments properties.

12. CAPITAL COMMITMENTS

	<b>30 September 2001 HK\$'000 (unaudited)</b>	31 March 2001 HK\$'000 (audited)
Contracted, but not provided for ( <i>Notes</i> )	<b><u>426,800</u></b>	<u>400,000</u>

*Notes:*

- (1) On 14 September 2000, the Group entered into a conditional sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital and the shareholders' loan of Growing China Limited ("Growing China"), a company incorporated in the British Virgin Islands at a consideration of HK\$400,000,000. The principal assets of Growing China are residential blocks and a commercial complex located at Chengdu, Sichuan Province, the PRC. The consideration of HK\$340 million is expected to be satisfied by the issue and allotment of approximately 301 million new ordinary shares of the Company and the balance of HK\$60 million in cash. The agreement has not become unconditional and parties to the agreement agreed on 19 December 2000 with a supplemental agreement to extend the long stop date of the agreement to such date as the parties may agree in writing, and details of the extension were announced by the Company on the even date. In the opinion of the Directors, unless the parties mutually agree to complete the agreement, no payment under the agreement will be made within the next twelve months from the date of this report.
- (2) On 24 September 2001, the Group entered into a conditional agreement with independent third parties to acquire a 30% interest in an investment (the "Investment") engaged in the provision of network based information services, via the internet, to the participants in the shipping and logistic industry in Hong Kong and in the mainland China (the "Acquisition") at a consideration of HK\$48 million. As at 30 September 2001, a deposit of HK\$21.2 million was paid by the Company and the remaining balance of HK\$26.8 million would be satisfied by way of issue of 107,200,000 new ordinary shares of the Company at the agreed issue price of HK\$0.25 each.

13. LITIGATION

The Group has been involved in litigation in the District Court in respect of allegations by certain creditors of the Company for the outstanding amount of approximately HK\$313,000 payable to them. The Company had made adequate but not excessive provision for these creditors at 30 September 2001. In the opinion of the Directors, the litigation should have no material adverse effect on the Group.

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## 14. POST BALANCE SHEET EVENTS

### **Issue of Shares**

On 3 October 2001, the Company allotted and issued 107,200,000 new ordinary shares of the Company at a price of HK\$0.25 each to some independent third parties to satisfy the remaining consideration of the Acquisition. The Acquisition was completed on the same date.

### **Rights issue**

On 30 October 2001, the Directors announced that the Company proposed to raise about HK\$86.1 million before expenses by issuing not less than 344,480,000 new shares by way of rights issue at a price of HK\$0.25 per rights share (“Rights Share”) on the basis of two Rights Shares for every five existing Shares held (the “Rights Issue”). Regent Medal Assets Corp. (“RMAL”), a company controlled by Mr. Chan Yuen Ming, has agreed to fully underwrite the Rights Shares. Since no valid acceptances or excess applications have been received, RMAL has taken up the whole of 344,480,000 Rights Shares and has become the single largest shareholder of the Company. The Rights Issue became unconditional on 5 December 2001.

The net proceeds from the Rights Issue of approximately HK\$83.1 million will be mainly used to provide funding to make any investments which have earning potentials for the Group to expand its existing operation and to diversify its existing business.

### **Further acquisition of the Investment**

On 13 December 2001, the Group entered into another agreement to acquire a further 19% interest in the Investment at the consideration of HK\$30.4 million (the “Further Acquisition”). The consideration of the Further Acquisition, determined by reference to the fair market value of the Investment estimated by an independent professional valuer of HK\$160 million, was satisfied partly in cash of HK\$23.5 million from the net proceeds of the Rights Issue and the remaining balance of HK\$6.9 million was satisfied by way of issue of 27,600,000 new ordinary shares of the Company at the agreed issue price of HK\$0.25 each on 20 December 2001. The Further Acquisition was completed on 17 December 2001.