

Notes to the Condensed Financial Statements

For the six months ended 30 June 2002

1. Basis of presentation and accounting policies

The condensed financial statements of the Group are 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 (“Listing Rules”) and the Hong Kong Statements of Standard Accounting Practice (“SSAP”) No.25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies adopted in these condensed financial statements are consistent with those followed in the preparation of the Group’s audited annual financial statements for the year ended 31 December 2001 except that certain comparative figures for the cash flow statement have been reclassified to conform to the current Period’s presentation in accordance with the SSAP No.15 (revised) “Cash Flow Statements” newly adopted by the Group.

2. Turnover and segmental information

An analysis of the Group’s unaudited turnover and operating loss by principal activity and geographical segment is as follows:

	Turnover for the six months ended 30 June		Operating loss for the six months ended 30 June	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
By principal activity:				
Management fees from jointly controlled entities	745,619	1,138,515	(2,166,370)	(3,199,376)
Dividend income from investment securities	1,053,525	1,168,525	1,053,525	1,168,525
	1,799,144	2,307,040	(1,112,845)	(2,030,851)

2. Turnover and segmental information (Continued)

	Turnover for the six months ended 30 June	
	2002	2001
	HK\$	HK\$
By geographical segment:		
The People's Republic of China:		
Hong Kong	1,053,525	1,455,319
Other regions	745,619	851,721
	<u>1,799,144</u>	<u>2,307,040</u>

Given the nature of the Group's operations as investment holding and the way in which costs are allocated, it is not considered meaningful to provide geographical analysis of operating loss.

3. Operating loss

	For the six months ended 30 June	
	2002	2001
	HK\$	HK\$
Unaudited operating loss is arrived at after charging / (crediting):		
Amortization of goodwill	182,988	182,988
Write-off of property, plant and equipment	—	5,535
Interest income	<u>(184,899)</u>	<u>(620,736)</u>

4. Taxation

Taxation in the unaudited consolidated income statement represents:

	For the six months ended 30 June	
	2002	2001
	HK\$	HK\$
Company and subsidiaries		
Hong Kong profits tax	—	—
Overseas taxation	87,709	—
Jointly controlled entities and associated companies		
Share of taxation attributable to jointly controlled entities	611,490	275,067
Share of taxation attributable to associated companies	—	—
	<u>699,199</u>	<u>275,067</u>

Hong Kong profits tax has not been provided as the Group does not have estimated assessable profit arising in Hong Kong during the Period.

Overseas taxation is provided for at the relevant tax rates.

Taxation of the jointly controlled entities represents corporation tax payable on income earned in the People's Republic of China ("PRC").

Hong Kong profits tax has not been provided for associated companies as they do not generate any assessable profits in Hong Kong during the Period.

No deferred tax has been provided in the condensed financial statements as there are no material timing differences.

5. Loss per share

The calculation of the loss per share is based on the following data:

	For the six months ended 30 June	
	2002	2001
	HK\$	HK\$
Loss attributable to shareholders	(904,932)	(890,665)
Weighted average number of ordinary shares	<u>899,900,000</u>	<u>899,900,000</u>

6. Trade and other receivables

The ageing analysis of the trade and other receivables is as follows:

	30 June 2002	31 December 2001
	Unaudited	Audited
	HK\$	HK\$
Within 3 months	—	—
3 to 6 months	—	—
6 to 12 months	—	—
Over 1 year	<u>30,680,100</u>	<u>30,680,100</u>
	30,680,100	30,680,100
Others	<u>8,783,733</u>	<u>649,532</u>
	<u>39,463,833</u>	<u>31,329,632</u>

7. Trade and other payables

The ageing analysis of the trade and other payables is as follows:

	30 June 2002 Unaudited HK\$	31 December 2001 Audited HK\$
Within 3 months	—	—
3 to 6 months	—	—
6 to 12 months	—	—
Over 1 year	<u>3,817,960</u>	<u>3,817,960</u>
	3,817,960	3,817,960
Others	<u>8,916,452</u>	<u>10,201,658</u>
	<u>12,734,412</u>	<u>14,019,618</u>

8. Share capital

	30 June 2002 Unaudited HK\$	31 December 2001 Audited HK\$
Authorized:		
30,000,000,000 ordinary shares of HK\$0.01 each	<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid:		
899,900,000 ordinary shares of HK\$0.01 each	<u>8,999,000</u>	<u>8,999,000</u>

There is no movement in the share capital of the Company during the Period.

9. Reserves

	30 June 2002 Unaudited HK\$	31 December 2001 Audited HK\$
Share premium	166,327,220	166,327,220
Capital reserve on consolidation	468,163	468,163
Contributed surplus	80,991,000	80,991,000
Exchange fluctuation reserve	(4,194,214)	(4,194,214)
Accumulated losses	<u>(20,598,302)</u>	<u>(19,693,370)</u>
	<u>222,993,867</u>	<u>223,898,799</u>

10. Net asset value per share

Net asset value per share is computed based on the net assets of HK\$231,992,867 (31 December 2001: HK\$232,897,799) and the number of issued and fully paid up shares of 899,900,000 (31 December 2001: 899,900,000) as at 30 June 2002.

INTERIM DIVIDEND

The Board resolved not to pay an interim dividend for the six months ended 30 June 2002 (2001: Nil).

REVIEW AND OUTLOOK

During the period under review, investment projects of the Group in both the PRC and Hong Kong have performed moderately under the difficult business environment and intense market competition.

The accession of China to the World Trade Organization and the successful bid by Beijing to host the 2008 Olympics are likely to speed up the pace of economic growth in the PRC. The PRC market is set to open further and will result in bringing more opportunities to the benefit of the Group. Together with our strong balance sheet and cash position, the Group believes that the investments in either the PRC or Hong Kong will develop steadily with a view of gaining high investment returns and yields for our shareholders.