

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30th June 2002

### 1. Basis of preparation

The financial statements of the Group have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Listing Rules of the SEHK and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

### 2. Principal accounting policies

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in conformity with generally accepted accounting principles in Hong Kong.

In 2002, the Group adopted the revised SSAP 1, revised SSAP 15 and new SSAP 34. The adoption of these SSAPs has no material change in the accounting policies of the Group. Apart from the foregoing, the accounting policies adopted are consistent with those described in the 2001 Annual Report and Account.

### 3. Turnover

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Sales of electronic components	<b>23,218</b>	—
Sales of properties	—	8,100
Property rental	<b>472</b>	611
Project management and service	<b>391</b>	5
	<b>24,081</b>	8,716

#### 4. Segment information

The Group is principally engaged in property investment and development and technology-related business. An analysis of the turnover and operating results by principal activities is as follows:

	<b>Property investment and development</b>	<b>Technology</b>	<b>Corporate and others</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Period ended 30th June 2002</b>				
Turnover	472	23,609	—	24,081
Segment results	391	(1,195)	(19,277)	(20,081)
Financial expenses				(3,130)
Share of results of				
Jointly controlled entity	—	—	(397)	(397)
Associated companies	(1,704)	(325)	(1,050)	(3,079)
Loss before taxation				(26,687)
Taxation				(78)
Minority interests	—	(617)	—	(617)
Loss attributable to shareholders				(27,382)

	Property investment and development <i>HK\$'000</i>	Technology <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Period ended 30th June 2001</b>				
Turnover	8,711	—	5	8,716
Segment results	10,554	—	(28,609)	(18,055)
Financial expenses				(2,848)
Share of results of				
Jointly controlled entities	—	—	(840)	(840)
Associated companies	580	(292)	(1,138)	(850)
Loss before taxation				(22,593)
Taxation				(375)
Minority interests	—	—	—	—
Loss attributable to shareholders				(22,968)

The activities of the Group are primarily conducted in Hong Kong and the entire turnover and majority of the operating results are derived from Hong Kong.

## 5. Operating loss

	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>
Operating loss is stated after crediting		
Gross rental income	<b>472</b>	611
Less : related outgoings	<b>(81)</b>	(21)
and after charging :		
Depreciation	<b>385</b>	447
Operating lease rental expenses		
for land and buildings	<b>1,316</b>	3,690
Amortisation of goodwill	<b>2,172</b>	—
Loss on disposal of fixed assets	<b>209</b>	—

## 6. Financial expenses

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdraft	<b>1,016</b>	2,161
Interest on short-term loans	<b>2,114</b>	687
	<b>3,130</b>	2,848

## 7. Taxation

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Company and subsidiary companies		
Hong Kong profits tax	<b>2</b>	—
Jointly controlled entities		
Overseas taxation	—	16
Associated companies		
Overseas taxation	<b>76</b>	359
	<b>78</b>	375

Hong Kong profits tax has been provided at the rate of 16% (2001:Nil) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

In June 1999 and March 2000, the Inland Revenue Department issued to a subsidiary company notices of assessment and demand for Hong Kong profits tax payable totalling approximately HK\$85.1 million in respect of profit from the disposal of properties under development in 1994 and 1995. The directors are of the opinion that the profit arising from the sales of properties is capital in nature and therefore not subject to Hong Kong profits tax. The subsidiary company has filed objections against these assessments. The Inland Revenue Department has determined unfavourable to the subsidiary company but reduced the profits tax payable to approximately HK\$77.5 million together with surcharges for late payment. The subsidiary company then further appealed to the Board of Review of the Inland Revenue Department. In June 2002, the Board of Review determined against the subsidiary company. The Directors are

taking professional advice to consider an appeal against the determination. In addition, no other company within the Group is liable for any tax or surcharges payable by the subsidiary company and the rest of the Group will not provide funds to the subsidiary company to satisfy the tax and surcharges in question. In view of the foregoing, no provision has been made in the accounts.

#### 8. Loss per share

The calculation of loss per share is based on the loss attributable to shareholders for the period of HK\$27,382,000 (2001: HK\$22,968,000) and on the weighted average number of 490,584,391 (2001: 437,584,391) shares in issue during the period.

Diluted loss per share is not presented as there are no dilutive potential shares for the options granted under the Company's share option scheme.

#### 9. Capital expenditure

	<b>Fixed assets</b> <i>HK\$'000</i>	<b>Goodwill</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Net book amount at			
31st December 2001	46,402	41,990	88,392
Additions	79,391	—	79,391
Disposals	(209)	—	(209)
Depreciation and amortisation	(385)	(2,172)	(2,557)
	<u>          </u>	<u>          </u>	<u>          </u>
Net book amount at			
30th June 2002	<u>125,199</u>	<u>39,818</u>	<u>165,017</u>
Net book amount at			
31st December 2000	47,285	—	47,285
Additions	1,302	—	1,302
Disposals	(115)	—	(115)
Depreciation and amortisation	(447)	—	(447)
	<u>          </u>	<u>          </u>	<u>          </u>
Net book amount at			
30th June 2001	<u>48,025</u>	<u>—</u>	<u>48,025</u>

## 10. Goodwill

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Cost	<b>43,438</b>	43,438
Accumulated amortisation	<b>(3,620)</b>	(1,448)
At 30th June 2002	<b><u>39,818</u></b>	<u>41,990</u>

## 11. Investments held for sale

The investments represent the Group's 42% equity interest in and amount receivable from Beijing Glory, completion of the sale of which is expected in early 2003.

## 12. Debtors and prepayments

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Trade debtors	<b>13,458</b>	7,986
Other debtors	<b>3,948</b>	4,121
Loan receivable	<b>14,070</b>	14,570
Deposits and prepayment	<b>5,682</b>	5,960
	<b><u>37,158</u></b>	<u>32,637</u>

Rental income from tenants is due and payable in advance. The credit terms granted to trade debtors in respect of sales of electronic components and management services are usually 30 to 45 days. At 30th June 2002, the ageing analysis of the trade debtors was as follows :

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Below 30 days	<b>6,745</b>	6,499
30 to 60 days	<b>2,191</b>	837
61 to 90 days	<b>280</b>	392
Over 90 days	<b>4,242</b>	258
	<b><u>13,458</u></b>	<u>7,986</u>

### 13. Creditors and accruals

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Trade creditors	<b>14,977</b>	8,875
Other creditors	<b>35,950</b>	30,765
Amount due to a Director	<b>66,730</b>	38,795
Accrued expenses	<b>18,291</b>	19,543
	<u><b>135,948</b></u>	<u>97,978</u>

Other creditors include deposits of HK\$35,310,000 (31st December 2001: HK\$28,078,000) received in respect of the sale of the Group's 42% equity interest in and amount receivable from Beijing Glory. The amount payable to the Director, Mr. Tong Nai Kan, is unsecured, interest free and has no specific repayment terms.

At 30th June 2002, the ageing analysis of the trade creditors was as follows:

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Below 30 days	<b>6,393</b>	2,585
30 to 60 days	<b>6,235</b>	1,415
61 to 90 days	<b>2,346</b>	2,002
Over 90 days	<b>3</b>	2,873
	<u><b>14,977</b></u>	<u>8,875</u>

## 14. Long-term bank loans

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Secured loans not wholly repayable within five years	<b>77,222</b>	25,458
Current portion included under current liabilities	<b>(22,029)</b>	(6,811)
	<b>55,193</b>	18,647

The bank loan is repayable in the following years:

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Within one year	<b>21,722</b>	6,811
In the second year	<b>4,485</b>	4,106
In the third to fifth year	<b>14,545</b>	11,078
After the fifth year	<b>36,470</b>	3,463
	<b>77,222</b>	25,458

## 15. Short term loans

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Secured (note a)	<b>3,000</b>	3,000
Unsecured (note b)	<b>10,000</b>	10,000
	<b>13,000</b>	13,000

- (a) The loan is secured by the Group's shareholding in INNOMAXX, an associated company, and carries interest at a fixed rate of 18% per annum.
- (b) The loan is guaranteed by a Director, Mr. Tong Nai Kan, and carries interest at a fixed rate of 3% per month.



**16. Share capital**

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Authorised :		
1,000,000,000 shares of HK\$1 each	<u><b>1,000,000</b></u>	<u>1,000,000</u>
Issued and fully paid :		
490,584,391 shares of HK\$1 each	<u><b>490,584</b></u>	<u>490,584</u>

**17. Reserves**

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Share premium	<b>12,034</b>	12,034
Capital redemption reserve	<b>5,318</b>	5,318
Capital reserve	<b>1,805</b>	1,805
Exchange reserve	<b>476</b>	476
Accumulated loss	<u><b>(386,312)</b></u>	<u>(358,930)</u>
	<u><b>(366,679)</b></u>	<u>(339,297)</u>

## 18. Commitments

### (a) Capital commitments

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Contracted but not provided for	—	73,130
Authorised but not contracted for	—	—
	<u>—</u>	<u>73,130</u>
	<u>—</u>	<u>73,130</u>

### (b) Operating lease commitments

The future aggregated minimum lease rental expense in respect of land and buildings under non-cancellable operating lease are payable in the following years:

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Within one year	<b>150</b>	2,897
In the second year	—	758
	<u>150</u>	<u>3,655</u>
	<u>150</u>	<u>3,655</u>

### (c) Operating lease rental receivable

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating lease are receivable in the following years:

	<b>30th June 2002 HK\$'000</b>	31st December 2001 HK\$'000
Within one year	<b>1,178</b>	892
	<u>1,178</u>	<u>892</u>
	<u>1,178</u>	<u>892</u>

**19. Contingent liabilities**

- (a) The Company has provided guarantees in respect of loan facilities granted to subsidiary companies amounting to HK\$22,122,000 (31st December 2001: HK\$22,528,000).
- (b) The Company has provided guarantees to banks in respect of mortgage loans made available to the purchasers of properties developed by a former jointly controlled entity, Beijing Glory, in Mainland China. At 31st December 2001, the outstanding guarantee for such mortgage loans amounted to HK\$4,152,000.
- (c) As explained in note 27(c) to the 2001 annual accounts, the Group has provided bank guarantees in favour of the Housing Authority to the extend of HK\$6,700,000 (31st December 2001: HK\$6,700,000).

**20. Related party transaction**

During the period, the Group paid rental expense to Lap Ho on lease of a property amounting to HK\$741,000 (2001: HK\$889,000). Pursuant to a sale and purchase agreement dated 5th October 2001, the Group acquired this property from Lap Ho at a consideration of HK\$76,000,000, which was arrived at with reference to an independent valuation report of the property and was negotiated on an arm's length basis based on normal commercial terms. The purchase has been completed in May 2002. Lap Ho is a company beneficially owned by Mr. Tong Nai Kan.