

Notes to the unaudited consolidated financial statements

1. Accounting policies

The interim financial statements for the six months ended 30 September 2000 have applied the accounting policies disclosed in the Company's annual report for the year ended 31 March 2000.

2. Analysis of turnover and profit after finance costs

	Turnover		Profit after finance costs	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
<i>By principal activities</i>				
Sales of goods	62,634	35,390	(4,441)	(3,875)
Property investment	10,013	16,579	6,645	83,909
Investment holding	38,919	38,659	17,605	9,157
E-commerce	-	-	(8,293)	-
Head office administrative expenses	-	-	(10,861)	(6,829)
	<u>111,566</u>	<u>90,628</u>	<u>655</u>	<u>82,362</u>
<i>By geographical segments</i>				
Hong Kong	12,350	59,896	(11,607)	69,872
Mainland China	82,787	29,425	22,305	11,253
Others	16,429	1,307	(10,043)	1,237
	<u>111,566</u>	<u>90,628</u>	<u>655</u>	<u>82,362</u>

3. Operating Profit

The operating profit is stated after crediting and (charging) the following:-

	2000 HK\$'000	1999 HK\$'000
Interest income	21,421	8,527
Amortisation of intangible asset	(13,000)	(13,000)
Depreciation	(1,109)	(946)
Gain on disposal of an investment property	-	71,353
Net (loss)/gain on disposal of subsidiaries and associated companies	(2,213)	1,080

In accordance with an agreement with China Huatong Distribution Industry Development Corporation, the Group is entitled to a guaranteed income from a heat supply project of HK\$35,000,000 for the year ending 31 March 2001. During this six months period ended 30 September 2000, the guaranteed income of HK\$17,500,000 (1999: HK\$28,000,000), being 50% of the guarantee income for the year, is recognized in the profit and loss account.

2000
2001

4. Taxation

	2000 HK\$'000	1999 HK\$'000
Company and subsidiaries		
- Hong Kong profits tax	375	1,989
- Overseas profits tax	46	-
Share of taxation attributable to associated companies		
- Hong Kong profits tax	-	39
- Overseas profits tax	1	332

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profit for the period in Hong Kong. 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.

5. Earnings per share

The calculation of basic and diluted earnings per share is based on the group's profit attributable to shareholders of HK\$2,751,000 (1999: HK\$74,861,000) and on the weighted average number of 1,456,847,825 (1999: 958,332,668) ordinary shares in issue during the year.

The diluted earnings per share is based on 1,656,243,272 (1999: 1,024,818,710) ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average of 199,395,447 ordinary shares deemed to be issued at conversion price of HK\$1.40 if all outstanding mandatory convertible notes had been exercised (1999: 66,486,042 ordinary shares deemed to be issued at no consideration if all outstanding options and warrants had been exercised). There is no dilution effect if all outstanding warrants and options had been exercised since the exercise prices are higher than the market price of ordinary shares of the Company.

6. Aging analysis of accounts receivable, prepayment and other deposits

	As at 30 September 2000 HK\$'000	As at 31 March 2000 HK\$'000
Within one year	611,788	366,538
Over one year	17,261	17,461
	<u>629,049</u>	<u>383,999</u>

7. Aging analysis of accounts payable and accruals

	As at 30 September 2000 HK\$'000	As at 31 March 2000 HK\$'000
Within one year	97,693	50,911
Over one year	14,235	5,222
	<u>111,928</u>	<u>56,133</u>

2000
2001

8. Mandatory convertible notes

The convertible notes are redeemable at the Company's option at par value. Any principal amount of the convertible notes outstanding on 27 April 2001, which is the first anniversary of the issue of the convertible notes, will be mandatorily converted into shares of the Company at the conversion price of HK\$1.40 per share.

9. Reconciliation of operating profit to net cash outflow from operating activities

	2000 HK\$'000
Operating activities	
Operating profit	8,076
Interest income	(21,421)
Depreciation of fixed assets	1,109
Amortisation of intangible assets	13,000
Loss on disposal of an associated company	2,213
Unrealised loss on other investments	108
Increase in amount due from associated companies	(5,552)
Increase in amount due to associated companies	2,693
Increase in inventories	(7,835)
Decrease in amount due from related companies	40,500
Increase in accounts receivable, prepayments and other deposits	(215,620)
Increase in accounts payable and accruals	45,795
Exchange difference	1,222
	<u>(135,712)</u>
Net cash outflow from operating activities	<u>(135,712)</u>

10. Purchase of a subsidiary

	2000 HK\$'000
Purchase of a subsidiary	
Net assets acquired	
Fixed assets	240
Accounts receivables, prepayments and other deposits	10,883
Accounts payable and accruals	(10,000)
Bank balance and cash	8,601
	<u>9,724</u>
Minority shareholders' interests	(2,918)
Other acquisition costs	(1,698)
Goodwill	301,492
	<u>306,600</u>
Satisfied by	
Mandatory convertible notes	<u>306,600</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend.