

Notes to Interim Financial Statements

1. Basis of preparation and changes in accounting policies

The unaudited interim financial statements are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No.25, “Interim financial reporting”, issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2000 with the exception of the changes in the accounting policies for goodwill and proposed dividends as follows:

(a) Goodwill

Goodwill arising on consolidation represents the excess of cost of acquisition of subsidiaries and associates over the Group’s share of the fair value ascribed to the separable net assets at the date of acquisition. In previous years, goodwill was taken to the retained profit in the year in which it arose. With the introduction of SSAP 30 “Business combinations”, the Group has adopted the transitional provisions prescribed therein. New goodwill incurred after 1 January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line basis over its estimated useful economic life. All goodwill arising from earlier acquisitions before 1 January 2001 will continue to be held in retained profit and no reinstatement has been made. Subsequent impairment loss arising on such goodwill will be recognised in the profit and loss account. Impairment losses of HK\$59,459,000 related to periods prior to 1 January 2000 have been dealt with retrospectively. Therefore, there is no impact in the Group’s net assets as at 30 June 2001 and its loss attributable to shareholders for both periods presented.

(b) Proposed dividend

In accordance with the revised SSAP 9 “Events after the balance sheet date”, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy. A separate component of equity, ‘Proposed dividend’ has been added on the face of the consolidated balance sheet to specify the provision for the 2000 proposed final dividend of HK\$3,418,000 which was previously recorded as a liability as at 31 December 2000. A corresponding decrease of HK\$3,418,000 in current liabilities has been reflected in the comparative 31 December 2000 balance sheet.

2. Segmental information

The Group was principally engaged in investment holding.

Analysis of the Group's turnover by principal activities for the six months ended 30 June 2001 is as follows:

	2001 HK\$'000	2000 HK\$'000
Share investment and dealing –		
Revenue from sales of listed investments	15,220	346,046
Dividends from listed investments	35	2,720
Dividends from unlisted investments	–	2,800
	<u>15,255</u>	<u>351,566</u>
Interest income	1,253	5,493
Rental income	1,571	1,521
	<u>18,079</u>	<u>358,580</u>

Analysis of the Group's operating loss after finance costs by principal activities for the six months ended 30 June 2001 is as follows:

	2001 HK\$'000	2000 HK\$'000
Share investment and dealing	(114,250)	(11,155)
Interest income	1,253	5,493
Rental income	1,571	1,521
	<u>(111,426)</u>	<u>(4,141)</u>
Other revenue	3,650	155
Corporate expenses – finance costs	(17,351)	(34)
– others	(3,983)	(5,938)
	<u>(129,110)</u>	<u>(9,958)</u>

The activities of the Group are primarily conducted in Hong Kong.

3. Operating loss before finance costs

	2001 HK\$'000	2000 HK\$'000
Operating loss before finance costs is stated after charging (crediting):		
Depreciation	30	27
Unrealised (gain) loss on listed investments held for trading purpose	(2,332)	573
Profit on disposal of subsidiaries	(751)	–

4. Taxation

	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax provision – Company and subsidiaries		
Current period	–	–
Underprovision for prior years	1,961	–
	<u>1,961</u>	<u>–</u>
Share of associates' taxation	9	12
	<u>1,970</u>	<u>12</u>

5. Interim dividend

	2001 HK\$'000	2000 HK\$'000
Interim dividend proposed, 1 cent per share (2000: 1 cent)	3,410	3,426

6. Loss per share

The calculation of loss per share is based on unaudited consolidated loss attributable to shareholders of HK\$133,228,000 (2000: HK\$11,410,000) and weighted average of 341,770,305 (2000: 343,772,762) shares of HK\$1 each in issue during the period.

7. Debtors, deposits and prepayments

The Group maintains a defined credit policy on its trade debtors.

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Trade debtors due on 1.7.2001	38,815	–
Trade debtors due on 1.1.2001 and 1.7.2001	–	68,815
Other debtors, deposits and prepayments	1,160	16,703
	<u>39,975</u>	<u>85,518</u>

8. Creditors, deposits and accruals

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Trade creditors	–	–
Other creditors, deposits and accruals	33,800	18,868
	<u>33,800</u>	<u>18,868</u>