



NOTES TO CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim Financial Statements are 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 ("HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Interim Financial Statements should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2000.

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. The HKSA issued a number of new SSAPs and revision of an existing SSAP which are effective for accounting periods commencing on or after 1 January 2001. These SSAPs do not have material impact to the Group's accounting policies as applicable to the preparation of the Interim Financial Statements.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in property development, investment and management in the PRC and Hong Kong, the operation of TransOnline and the provision of gas installation services in the PRC.

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Turnover		
Sale of properties	128,465	185,461
Rental income	2,717	951
Property management fees	1,478	774
Gas installation service fees	7,225	–
Service fee on TransOnline	87	–
	139,972	187,186
Other revenue		
Interest income	354	39
Total revenues	140,326	187,225



An analysis of the Group's turnover and contribution to (loss)/profit before taxation by principal activities and markets for the six months ended 30 June 2001 is as follows:

	Turnover		Operating (loss)/profit	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property development	128,465	185,461	(2,260)	31,252
Property investment	2,717	951	(30,950)	951
Property management	1,478	774	(845)	(593)
Gas installation services	7,225	–	514	–
TransOnline operations	87	–	(3,340)	–
	<u>139,972</u>	<u>187,186</u>	<u>(36,881)</u>	<u>31,610</u>
Corporate expenses			<u>(16,561)</u>	<u>(9,659)</u>
Operating (loss)/profit			<u>(53,442)</u>	21,951
Finance costs			<u>(14,113)</u>	<u>(12,924)</u>
(Loss)/profit before taxation			<u>(67,555)</u>	<u>9,027</u>

No geographical analysis is provided as less than 10% of the consolidated turnover and results of the Group are attributable to markets outside the PRC.

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging the following:

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Cost of properties sold	115,010	144,565
Auditors' remuneration	375	316
Depreciation of fixed assets	2,331	1,242
Staff costs	11,807	6,165
Retirement benefits contributions	564	66
Operating lease rental in respect of land and buildings	880	287
Loss on disposal of leasehold land and buildings	6,383	–
Provision for diminution in value of investment properties	<u>32,000</u>	<u>–</u>



4. TAXATION

The amount of taxation in the condensed consolidated profit and loss account represents:

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
PRC income tax		
– Current	2,003	5,965

The PRC income tax has been calculated on the estimated assessable profits of the PRC subsidiaries for the period at the rates of taxation prevailing in the PRC.

No provision for Hong Kong profits tax has been made in the accounts as the Group has no assessable profit in Hong Kong for the six months ended 30 June 2001 (2000: Nil).

5. DIVIDENDS

The directors do not recommend the payment of a dividend for the period ended 30 June 2001 (2000: Nil).

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's unaudited consolidated loss attributable to shareholders of HK\$69,198,000 (profit in 2000: HK\$2,727,000) and the weighted average of 1,070,918,000 (2000: 1,068,000,000) ordinary shares in issue during the six months ended 30 June 2001.

The exercise of the share options granted under the Share Option Scheme of the Company would not have any dilutive effect on the loss per share for the six months ended 30 June 2001.

7. RETIREMENT BENEFITS CONTRIBUTIONS

The Group's PRC subsidiaries participate in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The Group is required to make contribution to these schemes. The rates of contribution to these schemes range from 20% to 22% of the basic salaries of each individual employed. There was no forfeited contribution throughout the period. Following the adoption of the MPF Scheme in December 2000, the Group's employees in Hong Kong joined the MPF Scheme.



8. CAPITAL EXPENDITURE

	Property, equipment and vehicles <i>HK\$'000</i>
Ner book value as at 1 January 2001	349,665
Additions	558
Disposals	(38,109)
Depreciation	(2,331)
Provision for diminution in value	(32,000)
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Ner book value as at 30 June 2001	<u>277,783</u>

9. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

The ageing analysis of the trade receivables included in trade receivables, prepayments and deposits as at 30 June 2001 is as follows:

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Current to 90 days	13,675	22,677
91 – 180 days	4,649	6,945
181 – 365 days	3,704	12,106
Over 1 year	6,089	144
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	<u>28,117</u>	<u>41,872</u>

The Group's revenues from sale of properties and gas installation services are billed based on terms of the sales contracts and are normally receivable upon issue of invoices. Property management fees and rental income are received in advance.



10. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The ageing analysis of the trade payables included in trade and other payables and deposits received as at 30 June 2001 is as follows:

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Current to 90 days	7,245	26,841
91 – 180 days	29,194	1,236
181 – 365 days	6,502	14,893
Over 1 year	45,251	47,911
	<u>88,192</u>	<u>90,881</u>

11. LONG-TERM LIABILITIES

	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Long-term loans from banks and financial institutions		
– secured (<i>note 15</i>)	194,384	221,022
– unsecured	–	30,091
Obligation under finance leases	415	535
	<u>194,799</u>	<u>251,648</u>
Amounts repayable within one year	(5,862)	(26,571)
	<u>188,937</u>	<u>225,077</u>

At 30 June 2001, the Group's long-term loans and other loans were repayable as follows:

	Long-term loans		Obligation under finance leases	
	30 June 2001 HK\$'000	31 December 2000 HK\$'000	30 June 2001 HK\$'000	31 December 2000 HK\$'000
Within one year	5,682	26,348	180	223
In the second year	12,257	17,915	–	312
In the third to fifth years	33,000	33,001	235	–
After the fifth years	143,445	173,849	–	–
	<u>194,384</u>	<u>251,113</u>	<u>415</u>	<u>535</u>



12. SHARE CAPITAL

	Company	
	Number of shares	HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised		
At 30 June 2001 and 2000	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid		
At 1 January 2001	1,068,100,000	106,810
Issue of ordinary shares upon the exercise of share options	<u>3,100,000</u>	<u>310</u>
At 30 June 2001	<u>1,071,200,000</u>	<u>107,120</u>

3,100,000 ordinary shares of HK\$0.10 each were issued and allotted at HK\$0.173 per share pursuant to the exercise of share options by certain directors and employees of the Group. The net proceeds net of issue expenses arising from the exercise of the share options amounted to HK\$536,300.

Under the Share Option Scheme of the Company, the directors of the Company shall have the power at any time within a period of ten years from 5 July 1997 to make offers to directors and employees of the Group to take up options to subscribe for shares in the Company subject to certain terms and conditions. As at 30 June 2001, the share options outstanding were as follows:

Year granted	Number of options	Exercise price HK\$	Expiry date
1997	21,100,000	1.53	August 2007
1998	58,900,000	0.36	March 2008
2000	<u>8,980,000</u>	0.173 to 0.24	February to October 2010
	<u>88,980,000</u>		



13. RESERVES

	Total <i>HK\$'000</i>
As at 1 January 2001	377,219
Issue of ordinary shares upon the exercise of share options	226
Loss attributable to shareholders	<u>(69,198)</u>
As at 30 June 2001	<u>308,247</u>

14. COMMITMENTS

(a) Commitments under operating leases

At 30 June 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Within one year	4,593	1,091
In the second to fifth years	<u>5,048</u>	<u>–</u>
	<u>9,641</u>	<u>1,091</u>

(b) Capital commitments

At 30 June 2001, the Group had capital commitments in respect of the following:

	30 June 2001 <i>HK\$'000</i>	31 December 2000 <i>HK\$'000</i>
Contracted but not provided for		
Land premium, resettlement and compensation and construction costs	304,924	248,289
Acquisition of property development projects	191,145	149,510
Capital contribution to a PRC joint venture	<u>25,500</u>	<u>25,500</u>
	<u>521,569</u>	<u>423,299</u>



15. PLEDGE OF ASSETS

At 30 June 2001, the Group had loans and overdrafts totalling HK\$840,997,000 (2000: HK\$809,418,000) which were secured by the following:

- (a) legal charges on the Group's leasehold land and buildings located in Hong Kong and the PRC with carrying value of HK\$24,532,000 (2000: HK\$54,390,000);
- (b) charges on certain investment properties and properties held for development of the Group with carrying value of HK\$538,306,000 (2000: HK\$488,688,000);
- (c) charges on certain bank deposits totalling HK\$113,058,000 (2000: HK\$92,686,000);
- (d) charges on shares of a subsidiary; and
- (e) corporate guarantees provided by a minority shareholder of a subsidiary and an independent third party.

16. CONTINGENT LIABILITIES

The Company's 50.45% owned subsidiary, Winsan (Fujian) Industrial Co., Ltd. ("Winsan Industrial"), a company with its "A" shares listed on the Shanghai Stock Exchange in the PRC, provided corporate guarantees amounting to HK\$55,257,000 as at 30 June 2001 for bank loans granted to Fujian CFC Industries Co., Ltd. ("FCFC"), a company with its "A" shares listed on the Shenzhen Stock Exchange in the PRC. In return, FCFC also provided guarantees for bank loans of Winsan Industrial amounting to HK\$33,566,000 as at 30 June 2001. In April this year, Fujian Industrial Bank (福建興業銀行) Fuzhou Branch initiated proceedings at the Intermediate Court of Fuzhou City against FCFC for repayment of bank borrowings amounting to RMB8 million, together with accrued interest thereon and assumption by the Company of its guarantees and debt repayment. The proceeding is in progress and the outcome is not known. The directors of the Company are of the opinion that no provision is required at this stage.

17. RELATED PARTY TRANSACTIONS

During the year and in the normal course of business, the Company and its subsidiaries had transactions with certain related companies as follows:

	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Interest payable to the ultimate holding company	1,564	1,922



This represents the interest, calculated at Hong Kong dollar prime rate quoted by Hong Kong Association of Banks, on the amount due to the ultimate holding company, The amount is unsecured and repayable on demand.

18. SUBSEQUENT EVENTS

The Company entered into an Acquisition Agreement on 21 June 2001 among DIC Vendor (an Independent Third Party), Winsan International (“WIHL”), Mr Wang (an Independent Third Party) and Mr Chan (Chairman of the Group), under which: –

- (i) the Company has agreed a) to purchase from DIC Vendor the DIC Interest for HK\$467 million, and b) to sell to WIHL the Property Shares for HK\$467 million;
- (ii) instead of requiring WIHL to pay for the Property Shares in cash, the Company has directed Winsan International to satisfy the consideration of HK\$467 million by transferring to DIC Vendor the WIHL Shares (comprising 25% of the existing issued Winsan Shares and 25% interest in Evergrow (also known as TransOnline), a subsidiary of the Company, both owned by WIHL).

The purpose of the acquisition of DIC is to continue the Company’s evolution into a technology-oriented group, a successful example of the Company’s efforts in this direction being the development of the TransOnline Project.

Immediately upon completion of the Acquisition Agreement (and assuming that there is otherwise no change to the share capital of the Company or to the shareholding of WIHL in the Company), WIHL will remain as the controlling shareholder of the Company under the Listing Rules holding approximately 39.9% of the issued share capital of the Company and DIC Vendor will become the second largest shareholder of the Company holding approximately 25% of the issued share capital of the Company.

Under the Listing Rules, the transactions contemplated under the Acquisition Agreement constitute major and connected transactions of the Company. The Acquisition Agreement is conditional upon the approval of the shareholders of the Company (with WIHL, Mr Chan and his associates abstaining from voting). A circular containing, among other things, details of the Acquisition Agreement was dispatched to shareholders on 9 August 2001. An EGM was held on 24 August 2001, and the independent shareholders have approved the transaction. The said agreement will be completed shortly.



On 28 June 2001, 42,000,000 shares of the Company was placed to independent investors at a price of HK\$0.25 per share, representing approximately 3.92% of the existing issued share capital of the Company and approximately 3.77% of the enlarged issued share capital for general working capital. Since the top up placing WHL still remain the controlling shareholder of the Company holding approximately 38.45% of the issued capital of the Company and DIC Vendor still become the second largest shareholder of the Company holding approximately 24.08% of the issued share capital of the Company.

On 9 July 2001 the Company has entered into the Provisional Sales and Purchase Agreement to dispose of Thomson Road, Wanchai, Hong Kong which constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing details of the Provisional Sales and Purchase Agreement referred to herein was dispatched to the shareholders of the Company on 1 August 2001. This disposal was completed on 10 September 2001.

As a result of the above transactions, there will be material changes in the balance sheet and financial resources and liquidity of the Group. In addition, the pledge of assets and contingent liabilities of the Group as disclosed above will be discharged or otherwise disposed. Further details of which were disclosed in the Company's circular dated 8 August 2001.

BUSINESS REVIEW

Results

For the six months ended 30 June 2001, the Group recorded a turnover of HK\$139,972,000, representing a decrease of 25% over the same period of last year. The decrease in turnover of the Group for the first half of the year was due to the intense competition in the PRC property market, which led to generally low prices of the Company's properties in the first half of the year. Moreover, most of the Group's projects under development had been under extended planning, leading to an increase in capital and management cost. There was also increased investment in hi-tech projects. Accordingly, the results for property development and investment were discouraging.

Sale of Property

For the six months ended 30 June 2001, sales revenue was primarily derived from four residential development projects, namely Suzhou Mei Zhi Guo, Fuzhou Tian Ci Liang Yuan, Shanghai Da Yun Sheng Cheng and Nanjing Sheng Shi Hua Ting.

Property Rental

The Group retained part of the office space, shopping malls and car parking spaces as a stable recurring rental income source. Rental income was mainly generated from the shopping mall and office space at Hong Kong Winsan Tower and shopping malls at Fuzhou Jia Sheng Plaza.