

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated 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. The accounting policies and basis of preparation adopted are the same as those used in the Group's audited financial statements for the year ended 31 December 2000. In 2001, the Group has for the first time adopted the following revised and new SSAPs which are effective for accounting periods commencing on or after 1 January 2001:

- SSAP 9 (revised) Events after the balance sheet date
- SSAP10 (revised) Accounting for investments in associates
- SSAP14 (revised) Leases
- SSAP28 Provisions, contingent liabilities and contingent assets
- SSAP29 Intangible assets
- SSAP30 Business combinations
- SSAP31 Impairment of assets
- SSAP32 Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these SSAPs does not make any changes in the accounting policies of the Group except for the goodwill or capital reserve arising on acquisition of subsidiaries occurring on or after 1 January 2001 which is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than 20 years to the profit and loss account. Goodwill or capital reserve on acquisitions, which occurred prior to 1 January 2001, was taken directly to reserves. This change in accounting policy has no effect to the unaudited condensed consolidated interim financial statements for the period.

2. COMPARATIVE CASH FLOW STATEMENT

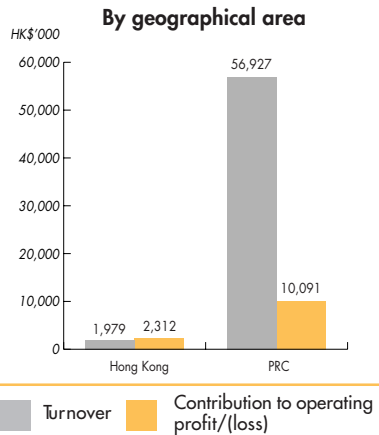
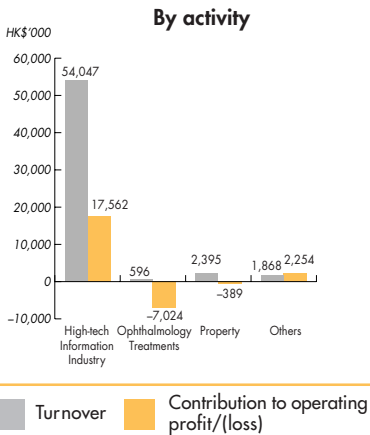
The comparative cash flow statement for the six months ended 30 June 2000 has not been presented as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. TURNOVER

An analysis of Group's turnover and contribution to operating profit/(loss) by principal activity and geographical area of operations for the six months ended 30 June 2001 disclosed pursuant to Appendix 16 of the Listing Rules is as follows:

	Six months ended 30 June			
	Turnover (Unaudited)		Contribution to operating profit/(loss) (Unaudited)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
High-tech Information Industry	54,047	-	17,562	-
Ophthalmology Treatments	596	16	(7,024)	(165)
Property	2,395	3,546	(389)	(11,956)
Others	1,868	478	2,254	325
	<u>58,906</u>	<u>4,040</u>	<u>12,403</u>	<u>(11,796)</u>
By geographical area:				
Hong Kong	1,979	2,403	2,312	(12,117)
The People's Republic of China, except Hong Kong (the "PRC")	56,927	1,637	10,091	321
	<u>58,906</u>	<u>4,040</u>	<u>12,403</u>	<u>(11,796)</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

Profit/(loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June (Unaudited)	
	2001 HK\$'000	2000 HK\$'000
Cost of goods sold and services provided	34,095	1,581
Depreciation		
Owned fixed assets	944	158
Leased fixed assets	2	3
Amortisation of goodwill	1,074	-
Goodwill written off	5,000	-
Bank interest income	(2,187)	(448)
Rental income	(2,395)	(3,546)
Less: outgoings	489	1,524
Net rental income	(1,906)	(2,022)
Exchange gains, net	(1)	-

5. TAX

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2000: nil). Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June (Unaudited)	
	2001 HK\$'000	2000 HK\$'000
Hong Kong	-	-
The PRC	1,337	-
Tax charge for the period	1,337	-

6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$10,957,000 (2000: net loss of HK\$24,647,000) and the weighted average of 5,212,265,465 (2000: 3,780,949,880) shares in issue during the period.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$10,957,000. The weighted average number of shares used in the calculation is 5,212,265,465 shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 92,798,984 shares assumed to have been issued at no consideration in the deemed exercise of all share options and deemed conversion of all convertible notes during the period. No diluted loss per share is shown for the six months ended 30 June 2000 as the effect of the Company's share options outstanding during the period was anti-dilutive.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. ACCOUNTS RECEIVABLE

The general credit term granted to the Group's clients is about 2 months. The ageing analysis of accounts receivable is as follows:

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Within 1 month	42,724	–
1 to 3 months	10,205	–
4 to 6 months	1,108	–
7 to 12 months	251	–
	<u>54,288</u>	<u>–</u>

8. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Within 1 month	8,699	–
1 to 3 months	19,917	–
4 to 6 months	711	–
7 to 12 months	668	–
1 to 2 years	488	–
Over 2 years	96	–
	<u>30,579</u>	<u>–</u>

9. SHARE CAPITAL

	Carrying amount (Unaudited) HK\$'000	Number of ordinary shares of US\$0.025 each (Unaudited)
Authorised:		
At 1 January 2001 and 30 June 2001	<u>1,948,000</u>	<u>10,000,000,000</u>
Issued and fully paid:		
At 1 January 2001	996,039	5,110,076,293
Shares issued for acquisition of subsidiaries	100,467	516,541,335
Placement of new shares	<u>145,875</u>	<u>750,000,000</u>
At 30 June 2001	<u>1,242,381</u>	<u>6,376,617,628</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. RESERVES

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Goodwill reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2001	333,912	125,521	14,142	2,497	(63,242)	(1,132,215)	(719,385)
Issue of shares	49,125	-	-	-	-	-	49,125
Share issue expenses	(4,448)	-	-	-	-	-	(4,448)
Goodwill written off	-	-	-	-	5,000	-	5,000
Net profit for the period	-	-	-	-	-	10,957	10,957
Exchange differences arising on consolidation of subsidiaries outside Hong Kong	-	-	-	(771)	-	-	(771)
At 30 June 2001	<u>378,589</u>	<u>125,521</u>	<u>14,142</u>	<u>1,726</u>	<u>(58,242)</u>	<u>(1,121,258)</u>	<u>(659,522)</u>

11. CONTINGENT LIABILITIES

In prior years, certain units of completed properties held for sale of the Group were pre-allocated to certain potential buyers (the "Buyers") and non-interest bearing refundable deposits were received upon such pre-allocation. These pre-allocated units were located in a prime residential building known as La Residence situated in 90-98 Zhenning Lu, Jing An District, Shanghai, the PRC ("La Residence"). The deposits received were refundable at the option of the Buyers prior to the completion of formal sale and purchase agreements and certain other registration procedures. On 22 December 1998, La Residence Development (Shanghai) Co., Ltd. ("La Residence Development"), a subsidiary of the Group engaged in the development of La Residence, entered into a sale and purchase agreement with a third party in which La Residence Development agreed to sell part of La Residence for a consideration of approximately HK\$23,679,000. The consideration was satisfied by the purchaser who agreed to take up the obligations of La Residence Development concerning the refund of deposits of an equivalent amount by La Residence Development. As at 30 June, 2001, the Group remained contingently liable to the Buyers for any amount not refunded by the third party to the Buyers.

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12. CAPITAL COMMITMENTS

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Contracted for	45,131	11,116
Authorised, but not contracted for	—	201,000
	<u>45,131</u>	<u>212,116</u>

13. POST-BALANCE SHEET EVENT

On 15 July 2001, an agreement was entered into between Wu Han Jingke Information Science & Technology Investment Co., Ltd. (the "PRC Party") and Marax Development Limited ("Marax"), a wholly-owned subsidiary of the Company. Pursuant to this agreement, the PRC Party and Marax will establish a joint venture, namely Wu Han Jingke Information Industry Co., Ltd ("Jingke Information") in Wu Han, the PRC. Jingke Information will engage in the production of quartz oscillators, an electronic component for electronic products. The proposed share capital of Jingke Information will be approximately RMB35,000,000 (approximately HK\$32,558,000) and Marax will hold 51% interests in Jingke Information upon the completion of the capital injection. Subsequent to 30 June 2001 and up to the date of this report, Marax has injected approximately RMB8,000,000 (approximately HK\$7,442,000) into Jingke Information.

14. RELATED PARTY TRANSACTION

On 1 September 2000, the Group entered into a letter of intent (the "Letter of Intent") with Shenzhen Investment Holding Corporation ("SIHC") and certain third parties (collectively referred to as the "Vendors"). SIHC is the holding company of Shenzhen International Holdings Limited ("SIHL") which, in turn, is a substantial shareholder of the Company. Pursuant to the Letter of Intent, the Group intended to purchase from the Vendors the entire equity interest in Dawning Information Industry Company Limited ("Dawning") for a consideration of RMB215,000,000 (approximately HK\$201,000,000) upon the signing of a sale and purchase agreement (the "Proposed Acquisition"). The Vendors entered into a conditional sale and purchase agreement with the Company in relation to the Proposed Acquisition on 8 March 2001. According to the agreement, the Company agreed to purchase and the Vendors agreed to sell the entire equity interests in Dawning for a consideration of RMB215,000,000 (approximately HK\$201,000,000). Part of the consideration of RMB107,500,000 (approximately HK\$100,467,000) was settled by the issue of 516,541,335 new shares of the Company at HK\$0.1945 per share and the remaining balance of RMB107,500,000 (approximately HK\$100,467,000) was satisfied by the issue of non-interest bearing convertible notes with a maturity of 2 years upon the completion of the Proposed Acquisition. The non-interest bearing convertible notes are transferable under certain conditions and convertible wholly or partly into new ordinary shares of the Company at any time during the period commencing from their date of issue and ending on the maturity date, at the conversion price of HK\$0.1945 per share. The transaction was completed on 4 June 2001.