

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Significant accounting policies

These unaudited condensed consolidated interim financial statements of the Group (“Interim Financial Statements”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, except that the comparative figures of the condensed consolidated cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and bases of preparation of these Interim Financial Statements are the same as those used in the annual financial statements for the year ended 31 December 2000. Figures for the year ended 31 December 2000 are extracted from the Group annual audited financial statements for the year ended 31 December 2000.

2. Segmental information

An analysis of the Group’s turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area for the period ended 30 June 2001 is as follows:

	Turnover		Contribution to operating profit/(loss)	
	Six months ended		Six months ended	
	30 June 2001	30 June 2000	30 June 2001	30 June 2000
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
By principal activity:				
Sale of properties	31,320	32,311	1,313	8,722
Rental income	144	218	117	184
Management fee income	528	524	118	57
Others	214	–	203	–
	<u>32,206</u>	<u>33,053</u>	<u>1,751</u>	<u>8,963</u>
Operating expenses, net			(15,104)	(8,007)
			<u>(13,353)</u>	<u>956</u>
By geographical area:				
Mainland, the PRC	32,061	32,835	1,633	8,779
Hong Kong SAR	145	218	118	184
	<u>32,206</u>	<u>33,053</u>	<u>1,751</u>	<u>8,963</u>
Operating expenses, net			(15,104)	(8,007)
			<u>(13,353)</u>	<u>956</u>

3. Profit/(loss) from operating activities

Profit/(loss) from operating activities was determined after charging the following:

	Six months ended 30 June	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Depreciation on fixed assets	1,368	935
Provision for doubtful debts	4,080	—
Deficit on revaluation of leasehold land and buildings	1,000	—
Deficit on revaluation of investment properties	300	—
Loss on disposal of investment properties	390	—
	<u>1,368</u>	<u>935</u>

4. Finance costs

	Six months ended 30 June	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest expenses	4,515	5,663
Less: interest capitalised during the period	(1,359)	(5,200)
	<u>3,156</u>	<u>463</u>

Interest capitalised during the period was calculated at a rate of approximately 7% (2000: 7%) per annum.

5. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2000: Nil). Taxes on profits assessable elsewhere 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	
	2001	2000
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Overseas tax over provided in prior years	1,200	–
	1,200	–

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax in respect of the period (2000: Nil).

The revaluations of the Group's leasehold land and buildings and investment properties do not constitute timing differences and, consequently, there is no deferred tax thereon.

6. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the period of approximately HK\$15,309,000 (2000: net profit of HK\$493,000), and the weighted average of 276,982,000 (2000: 244,731,000) ordinary shares in issue during the period.

Diluted loss per share for the period ended 30 June 2001 has not been shown as the effect of warrants and options outstanding during the period had an anti-dilutive effect on the basic loss per share.

The calculation of diluted earnings per share in 2000 is based on the net profit attributable to shareholders for the period of approximately HK\$493,000 and on 265,051,000 ordinary shares, being the weighted average number of ordinary shares outstanding during the period adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

7. Fixed assets

As at 30 June 2001, certain of the Group's leasehold land and buildings in Hong Kong and the PRC with carrying values of approximately HK\$3,000,000 and HK\$41,120,000, respectively, were pledged to secure certain banking facilities granted to the Group.

A deficit on revaluation of the Group's leasehold land and buildings amounted to HK\$1,000,000, based on directors' estimate, has been charged to the income statement during the period.

8. Investment properties

As at 30 June 2001, the Group's investment properties in Hong Kong were pledged to secure banking facilities granted to the Group.

A deficit on revaluation of the Group's investment properties amounted to HK\$300,000, based on directors' estimate, has been charged to the income statement during the period.

9. Properties under development/Properties for sale

As at 30 June 2001, certain properties under development/properties for sale of the Group were pledged to secure banking facilities granted to the Group.

10. Trade receivables

The Group's trade receivables mainly comprise receivables from the sale of properties. Credit policies for each project and customer are determined based on normal commercial terms with reference to the prevailing market conditions. As at 30 June 2001, most of the Group's trade receivables were current within their respective terms of credit.

11. Trade payables

The Group's trade payables mainly comprise costs payable for property development projects which are payable upon completion of work certified. As at 30 June 2001, most of the Group's trade payables were current within their respective terms of credit and there were no significant overdue amounts.

12. Share capital

	30 June	31 December
	2001	2000
	Unaudited	Audited
	HK\$'000	HK\$'000
<i>Authorised:</i>		
1,000,000,000 (31 December 2000: 1,000,000,000)		
ordinary shares of HK\$0.10 each	100,000	100,000
<i>Issued and fully paid:</i>		
301,538,400 (31 December 2000: 258,688,400)		
ordinary shares of HK\$0.10 each	30,154	25,869

A summary of the movements in the issued share capital of the Company during the period is as follows:

	Number of	Issue and
	ordinary shares	fully paid
	Unaudited	Unaudited
		<i>HK\$'000</i>
At 1 January 2001	258,688,400	25,869
Issue of new shares at HK\$0.40 per share	41,000,000	4,100
Shares issued on exercise of share options	1,850,000	185
At 30 June 2001	301,538,400	30,154

13. Reserves

	Share premium Unaudited <i>HK\$'000</i>	Con- tributed surplus Unaudited <i>HK\$'000</i>	Fixed asset re- valuation reserve Unaudited <i>HK\$'000</i>	Statutory reserve fund Unaudited <i>HK\$'000</i>	Retained profits Unaudited <i>HK\$'000</i>	Total Unaudited <i>HK\$'000</i>
At 1 January 2001	31,860	47,654	11,418	13,237	45,002	149,171
Issue of new shares at HK\$0.40 per share	12,300	-	-	-	-	12,300
Arising on exercise of share options	666	-	-	-	-	666
Share issue expenses	(396)	-	-	-	-	(396)
Net loss for the period	-	-	-	-	(15,309)	(15,309)
	<u>44,430</u>	<u>47,654</u>	<u>11,418</u>	<u>13,237</u>	<u>29,693</u>	<u>146,432</u>
At 30 June 2001	<u>44,430</u>	<u>47,654</u>	<u>11,418</u>	<u>13,237</u>	<u>29,693</u>	<u>146,432</u>

14. Post balance sheet event

On 3 July 2001, the Company has entered into an agreement with Beijing Tsinghua Deployment Science and Technology Company Limited and the Electrical and Electronic Research Centre of Tsinghua University in developing international standard high capacity electric power quality monitoring compensators. The total commitment in respect of this project is approximately RMB30 million of which RMB3 million will be invested in the first stage of the project. The remaining will be invested in the second stage of the project according to the progress of the project.

15. Approval of the Interim Financial Statements

These Interim Financial Statements were approved by the Board on 25 September 2001.

DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30 June 2001 (2000: Nil).