

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### (1) Accounting policies

Advantage has been taken of the exemption provided by paragraph 37.3 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from the requirement to include comparative figures for the first cash flow statement included in interim financial statements relating to accounting periods ending in or after 1 July 2000.

Save as disclosed above, these 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 of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2000.

### (2) Turnover and segment information

The Group's turnover and contribution to (loss) profit from operations by principal activity and geographical location are summarized as follows :

	Six months ended 30 June 2001		Six months ended 30 June 2000	
	Turnover HK\$'000	Operating Result HK\$'000	Turnover HK\$'000	Operating Result HK\$'000
<b>By principal activity:</b>				
Biopharmaceuticals	4,865	(3,263)	–	–
General trading	–	(10,174)	6,537	(5,662)
PVC	–	(624)	16,372	1,888
	<u>4,865</u>	<u>(14,061)</u>	<u>22,909</u>	<u>(3,774)</u>
	Six months ended 30 June 2001		Six months ended 30 June 2000	
	Turnover HK\$'000	Operating Result HK\$'000	Turnover HK\$'000	Operating Result HK\$'000
<b>By geographical location:</b>				
PRC	4,865	(3,513)	22,578	1,918
HK	–	(10,548)	331	(5,692)
	<u>4,865</u>	<u>(14,061)</u>	<u>22,909</u>	<u>(3,774)</u>

**(3) Taxation**

No provision for taxation has been made for the six months ended 30 June 2001 and for the six months ended 30 June 2000 as the Group incurred a loss in both periods.

**(4) Loss per share**

The calculation of basic loss per share is based on the loss attributable to shareholders for the six months ended 30 June 2001 of HK\$18,544,000 (2000 : loss of HK\$11,064,000) and the weighted average number of 1,136,708,377 shares (2000 : 790,794,179 shares) in issue during the period.

The computation of diluted loss per share does not assume the conversion of the company's outstanding share options since their exercise would result in a decrease in loss per share.

**(5) Loss for the period**

Loss for the period has been arrived at after charging :

	Unaudited	
	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible asset	1,386	–
Depreciation	3,455	1,481
Loss on disposal of investment property	141	–
Loss on disposal of fixed assets	213	–
	<u>          </u>	<u>          </u>

**(6) Debtors and prepayments**

The aged analysis of trade debtors are as follows :

Within 30 days	2,758	62
31 – 60 days	221	–
61 – 90 days	131	–
More than 90 days	320	2,346
	<u>          </u>	<u>          </u>
Other debtors and prepayments	3,430	2,408
	<u>4,458</u>	<u>3,294</u>
	<u>7,888</u>	<u>5,702</u>

The Group allows credit period of 90 days to its trade customers.

**(7) Creditors and accrued charges**

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
The aged analysis of trade creditors are as follows:		
Within 30 days	–	13
31 – 60 days	–	4
61 – 90 days	–	10
More than 90 days	<u>326</u>	<u>327</u>
	<b>326</b>	354
Other creditors and accrued charges	<u>39,133</u>	<u>44,937</u>
	<u><b>39,459</b></u>	<u>45,291</u>

**(8) Share capital**

	<b>Number of shares</b>	<b>Nominal value HK\$'000</b>
<b>Authorised</b>		
At 1 January 2001 and 30 June 2001	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid</b>		
At 1 January 2001	1,073,945,946	10,739
Placement of new shares ( <i>note a</i> )	<u>142,000,000</u>	<u>1,420</u>
At 30 June 2001	<u>1,215,945,946</u>	<u>12,159</u>

- (a) On 29 March 2001, the single largest shareholder of the Company (the "Vendor") entered into an agreement with a placing agent and the Company relating to the placement of 142,000,000 existing shares in the Company held by the Vendor at HK\$0.275 per share through the placing agent to independent third parties; and the subscription of the same amount of new shares by the Vendor from the Company at HK\$0.275 per shares. The net proceeds from the placement amounted to HK\$37,556,000. The allotted shares rank *pari passu* with the existing shares in the Company in all respects.

**(9) Related party transactions**

During the six months ended 30 June 2001, the company entered into the following transactions with an associate of the Group.

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Management fee income	120	1,260
Maintenance expenses paid	60	60
Rental income for rented premise and other facility	—	30
	<u>          </u>	<u>          </u>

The above transactions were charged at cost.

**(10) Post balance sheet events**

Pursuant to a resolution passed in an extraordinary general meeting held on 24 July 2001 by the shareholders of LT3000 Online Limited ("LT3000"), the shareholders of LT3000 agreed to capitalise certain amounts due from LT3000 in proportion to their existing shareholding in LT3000. Accordingly, out of the amount of HK\$13,677,000 due from LT3000 as at 31 December 2000, an amount of HK\$11,004,000 was capitalised as investment cost on 24 July 2001.

Pursuant to a resolution passed in an extraordinary general meeting held on 30 July 2001 by the shareholders of LT3000, 943,138 new shares in LT3000 were issued to an existing shareholder of LT3000 for cash at US\$0.408 per share, resulting in a receipt of HK\$3,000,000 by LT3000 from the issue of the new shares. The consideration is with reference to the cost of investment for the additional 29% interest in LT3000 acquired by the Group in April 2000. The Group's interests in LT3000 was diluted to 47.47 % as a result of the issue of the new shares.

**(11) Gain on disposal of a subsidiary**

On 4 January 2001, the Group entered into a sale and purchase agreement with an independent third party to dispose of 51% interest in the issued share capital of Sino Crown International Holdings Limited.

**(12) Comparative figures**

Comparative figures in the condensed consolidated income statement have been restated to conform with the current period's presentation.

**INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).