

# NOTES TO CONDENSED FINANCIAL STATEMENTS

## 1. Basis of preparation for interim results

The interim results 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 “HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## 2. Turnover

Turnover for the Period represents the aggregate of rental income from leasing of properties, income from sales of properties, property management fee income, dividend income earned from investments in securities and the gross proceeds received and receivable from trading of securities.

## 3. Principal accounting policies

The interim results have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investment in securities. The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended 31st December 2000 except for the followings.

In the Period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the HKSA, which has resulted in the adoption of the following new or revised accounting policies:

### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP No.9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognized as a liability at the balance sheet date, but are disclosed as a separated component of equity on the face of the balance sheet and in the note to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. Accordingly, certain comparative figures on the audited balance sheet as at 31st December 2000 were amended to reflect the change in accounting policy.

### **Goodwill**

In the Period, the Group has adopted SSAP No. 30 “Business Combination” (“SSAP 30”) and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisition prior to 1st January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the value of the goodwill is determined to be impaired.

Goodwill arising on acquisition after 1st January 2001 is capitalized and amortized over its estimated useful life of no more than 20 years in accordance with the requirements under SSAP 30. Negative goodwill arising on acquisition after 1st January 2001 is presented as a deduction from assets and will be released to income in accordance with the requirement of SSAP 30.

#### 4. Profit from operation

<b>Unaudited</b>	
<b>Six months ended 30th June</b>	
<b>2001</b>	<b>2000</b>
<b>HK\$'000</b>	<b>HK\$'000</b>

*Profit from operation has been arrived at after charging:*

Depreciation	<b>1,772</b>	1,209
Amortization of CB issuing cost	<b>1,328</b>	2,126
Amortization of goodwill	<b>1,397</b>	—
Unrealized loss on investment securities	<b>—</b>	2,008
	<b>=====</b>	<b>=====</b>

*And after crediting:*

Interest income	<b>694</b>	7,976
Release to income of negative goodwill	<b>2,784</b>	—
Rental income under guaranteed returns	<b>—</b>	21,705
	<b>=====</b>	<b>=====</b>

#### 5. Other income

<b>Unaudited</b>	
<b>Six months ended 30th June</b>	
<b>2001</b>	<b>2000</b>
<b>HK\$'000</b>	<b>HK\$'000</b>

Unrealized gain on investment securities	<b>3,566</b>	—
Realized gain on investment securities	<b>20,410</b>	—
Profit on repurchase of convertible bonds	<b>4,270</b>	5,668
Profit on deemed disposal of an associate	<b>—</b>	56,736
	<b>=====</b>	<b>=====</b>
	<b>28,246</b>	62,404
	<b>=====</b>	<b>=====</b>

## 6. Taxation

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Company and subsidiaries		
Income tax in the People's Republic of China ("PRC") excluding Hong Kong	<u>(1,250)</u>	<u>—</u>
Share of taxation of associates		
Income tax in the PRC excluding Hong Kong	<u>(243)</u>	<u>(723)</u>
	<u><b>(1,493)</b></u>	<u><b>(723)</b></u>

No provision for Hong Kong Profits Tax has been made, as the Group has no assessable profit for the Period and the previous period.

No deferred tax has been provided, as there is no significant timing difference arising during the Period and previous period or as at the Period end date and that of the previous period.

## 7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$33,251,000 (2000: HK\$57,953,000) and the weighted average number of 1,282,428,252 (2000: 1,188,505,741 ) shares in issue during the period.

No diluted earnings per share has been presented as there is no dilution effect was resulted on the earnings per share for the Period and the previous period after taking into account the potential dilutive effect of the conversion of the outstanding convertible bonds and the exercise of the outstanding employee's shares options have no dilutive effect on the earnings per share for the Period and the previous period.

## 8. Deposits, prepayment and other receivables

As there is no significant trade debtor, the Group has no established credit policy. The following is an aged analysis of other receivables included in deposits, prepayments and other receivables:

	Unaudited at 30th June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	59	11,484
One to two months	—	—
Two to three months	2,336	—
Three months or more	127,553	710
	<u>129,948</u>	<u>11,194</u>
	<u><u>129,948</u></u>	<u><u>11,194</u></u>

## 9. Accrued charges, rental deposits and other payables

The following is an aged analysis of other payables included in accrued charges, rental deposits and other payables:

	Unaudited at 30th June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	1,910	45
One to two months	108,641	—
Two to three months	35,626	—
Three months and more	145,645	1,192
	<u>291,822</u>	<u>1,237</u>
	<u><u>291,822</u></u>	<u><u>1,237</u></u>

## 10. Share Capital

The movements in the share capital of the Company during the Period are summarized as follows:

	Number of shares	Share capital HK\$'000
<i>Authorised:</i>		
Balance at 1st January 2000, 30th June 2000, 1st January 2001 and 30th June 2001, ordinary shares of HK\$0.2 each	2,000,000,000	400,000
<i>Issued and fully paid:</i>		
Balance at 1st January 2000	892,362,900	178,473
Subscription of shares	178,468,000	35,694
Placement of shares	213,800,000	42,760
Issue of shares upon exercise of warrants	53,200	10
Balance at 30th June 2000	1,284,684,100	256,937
Balance at 1st January 2001	1,284,684,100	256,937
Issue of shares upon exercise of warrants	50,925,295	10,185
Repurchase and cancelled	(57,636,000)	(11,527)
Balance at 30th June 2001	1,277,973,395	255,595

## 11. Reserves

	Share premium	Investment property revaluation reserve	Asset revaluation reserve	(Goodwill) capital reserve	Other reserve	Exchange reserve	Accumulated profits	Total
At 31st December 2000	1,202,160	94,787	14,666	(16,069)	23,415	(3,005)	412,448	1,728,402
Premium on issue of shares	32,592							32,592
Issue cost	(4)							(4)
Cancelled on share repurchase	(45,271)							(45,271)
Realized upon disposal of investment Property		(12,796)						(12,796)
Reversal of deferred taxation in PRC		3,839						3,839
Net profit for the year							33,251	33,251
Dividend paid							(12,847)	(12,847)
As 30th June 2001	1,189,477	85,830	14,666	(16,069)	23,415	(3,005)	432,852	1,727,165