
NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation of the financial statements

As mentioned in the note 1 of the Group's annual report for the year ended 31st December, 2000, the financial statements have been prepared on a going concern basis.

2. Accounting policies

The condensed financial statements have been prepared under the historical cost convention a modified for revaluation of certain properties and investments in securities.

The interim financial report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"), except that comparative figures are not presented, for the statement of recognised gains and losses and the cash flow statement to be included in the interim financial report relating to accounting period ended 30th June, 2001. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Saved as disclosed above, the condensed financial statements have been prepared in accordance with SSAP 25. The accounting policies adopted are consistent with those followed in the Group's annual report for the year ended 31st December, 2000.

3. Segment information

An analysis of the Group's turnover and contribution to operating loss for the six months ended 30th June, 2001 by principal activities is as follows:

	Turnover		Contribution to loss from operations	
	Six months ended 30/6/2001 (unaudited) HK\$'000	30/6/2000 (unaudited) HK\$'000	Six months ended 30/6/2001 (unaudited) HK\$'000	30/6/2000 (unaudited) HK\$'000
Continuing operations:				
Property investment	5,359	6,374	3,575	4,702
System integration services	<u>357</u>	<u>0</u>	<u>23</u>	<u>0</u>
	<u>5,716</u>	<u>6,374</u>	<u>3,598</u>	<u>4,702</u>
Interest income			479	51
Other revenue			116	60
Net loss on disposal of property, plant and equipment			0	(114)
Head office expenses			<u>(16,049)</u>	<u>(19,376)</u>
Loss from operations			<u>(11,856)</u>	<u>(14,677)</u>

The above analysis does not include the turnover and contributions from six subsidiaries which have not been consolidated into the Group's financial statements (see note 9).

Analysis of the Group's turnover and contribution by geographical location is not shown as overseas' operation account for less than 10% of the Group's turnover and trading results.

4. Depreciation

During the period, depreciation of HK\$523,000 (six months ended 30th June, 2000: HK\$124,000) was charged in respect of the Group's property, plant and equipment.

5. Taxation

	Six months ended	
	30/6/2001	30/6/2000
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Underprovision in respect of prior year	<u><u>0</u></u>	<u><u>582</u></u>

6. Dividends

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30th June, 2001 (six months ended 30th June, 2000: Nil)

7. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$31,215,000 (six months ended 30th June, 2000: HK\$79,862,000) and the weighted average of 28,914,137,000 (six months ended 30th June, 2000: 18,791,753,000), ordinary shares in issue during the period.

There were no dilutive potential ordinary shares in existence during the six months period ended 30th June, 2001 and 2000.

8. Additions to investment properties and property, plant and equipment

During the period, the Group spent approximately HK\$18,000 on additions to property, plant and equipment and spent approximately HK\$65,000 on capital expenditure for properties under development.

During the last year ended 31st December, 2000, the Group had spent approximately HK\$288,512,000 on additions to investment properties and property, plant and equipment.

9. Investments in unconsolidated subsidiaries

In respect of the Company's investments in unconsolidated subsidiaries, details of which were set out in the note 17 of the Group's annual report for the year ended 31st December, 2000, the results of these unconsolidated subsidiaries of the prior interim reporting period for the six months ended 30th June, 2000 previously reported has been adjusted in order to conform with the current period's classification. It is restated resulting in a decrease in turnover of HK\$21,460,000 and in profit of HK\$169,000 respectively.

10. Amount due from related parties

	The Group		Maximum outstanding during the period
	30/6/2001	31/12/2000	
	HK\$'000	HK\$'000	HK\$'000
Gold Choice Enterprises Limited "Gold Choice"	0	15,882	15,882
北京康濟德保健品銷售 有限公司 "康濟德"	282	282	282
	282	16,164	16,164

- (a) Gold Choice is a subsidiary of CBMG.
- (b) 康濟德 is a minority shareholder of certain indirect subsidiaries of the Group. The above amount was unsecured, non-interest bearing and had no fixed terms of repayment.

11. Accounts receivable, deposits and prepayments

The group allows an average credit period of 60 days to its trade customers.

The following is aged analysis of accounts receivables at the reporting date:

	30/6/2001 (unaudited) HK\$'000	31/12/2000 <i>HK\$'000</i>
0–60 days	364	1,090
61–90 days	0	53
> 90 days	1,533	<u>0</u>
Total accounts receivable	1,897	1,143
Deposits and prepayments	2,597	<u>2,377</u>
	4,494	<u>3,520</u>

12. Amount due to related parties

	The Group	
	30/6/2001 HK\$'000	31/12/2000 <i>HK\$'000</i>
Current portion		
CBMG	22,680	38,562
Sheen Win Investment Limited	1,977	1,977
Due to directors	11	<u>63</u>
	24,668	<u>40,602</u>
Non-current portion		
Sheen Win Investment Limited	17,552	<u>18,079</u>

- (a) Included in the amount due to CBMG is a sum of HK\$42,400,000 in connection with overdraft facilities granted to CBMG but utilised by three subsidiaries of the Group. The applicable overdraft facilities interest rate is prime rate plus 2.5% per annum.
- (b) Included in the amount due to Sheen Win Investment Limited (“Sheen Win”) is a sum of HK\$19,529,000 related to mortgage loans granted to Sheen Win but utilised by two subsidiaries of the Group. The applicable interest rate is prime rate plus 2% per annum.
- (c) Except for the terms stated in note 12 (a) and (b) above, other amounts due to related parties were unsecured, non-interest bearing and had no fixed terms of repayment.

13. Accounts payable and accrued charges

The following is aged analysis of accounts payable at the reporting date:

	30/6/2001 (unaudited) HK\$'000	31/12/2000 <i>HK\$'000</i>
0–60 days	4,139	9,665
61–90 days	1,105	834
> 90 days	17,011	7,658
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Total accounts payable	22,255	18,157
Accrued charges	11,114	2,325
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	33,369	20,482
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14. Share Capital

There were no movements in the share capital of the Company in the current interim reporting period.

During the prior interim reporting period, the Company issued and allotted a total of 9,797,514,418 shares at par, the details are:

	No. of shares at HK\$0.025 each
Exercise of share options	1,210,000,000
Conversion of debentures	1,487,514,418
Private placement	<u>7,100,000,000</u>
	<u><u>9,797,514,418</u></u>

15. Commitments

(a) Capital commitments outstanding at 30th June, 2001 not provided for in the financial statements were as follows:

	30/6/2001	31/12/2000
	(unaudited)	
	HK\$'000	HK\$'000
Authorised and contracted for	<u><u>77,857</u></u>	<u><u>77,857</u></u>

(b) Commitments

At the reporting date, the Group had outstanding commitments payable in the following year under non-cancellable operating and finance leases in respect of:

	30/6/2001 (unaudited) HK\$'000	31/12/2000 <i>HK\$'000</i>
Land and building which expire:		
Within one year	130	1,946
In the second to fifth years inclusive	3,923	3,015
Over five years	<u>11</u>	<u>11</u>
	4,064	4,972
 Motor vehicle which expire:		
In the second to fifth year inclusive	<u>896</u>	<u>0</u>
	<u>4,960</u>	<u>4,972</u>

16. Pledge of assets

At the reporting date, the Group's properties and bank deposits with an aggregate book value approximately HK\$452,105,000 (31st December, 2000: HK\$465,157,000) were mortgaged and pledged to the Group's bankers, finance company and loan creditors to secure banking and loan facilities granted to the Group to the extent of approximately HK\$266,340,000 (31st December, 2000: HK\$263,100,000) and certain banking and loan facilities were granted to CBMG and a subsidiary of CBMG. Certain loans were guaranteed by a third party.

17. Post balance sheet event

On 1st August, 2001, the Company entered into a sale and purchase agreement with CBMG whereby the Company agreed to purchase the entire interests of Sheen Win Investment Limited, for a total consideration of HK\$22,811,000. The transaction was completed on 15th August, 2001.