NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting", except that, in this first year of implementation of the standard, as permitted by the Listing Rules, no comparative amounts have been presented for either:

- the condensed consolidated statement of recognized gains and losses; or
- the condensed consolidated cash flow statement.

In preparing the condensed financial statements, the directors have given careful consideration to the future liquidity of the Group. The directors are in the process of undertaking an asset disposal programme. The directors consider that, with the planned net cash inflows from the asset disposals, the Group will be able to accomplish its business expansion plan and to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed financial statements have been prepared on a going concern basis.

2. Principal accounting policies

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2000, except that in the current period, the Group has adopted SSAP 30 "Business Combinations". Any goodwill arising on acquisitions of subsidiaries or associates after 1 January 2001 is capitalized and amortised over its estimated useful life of 5 years. Any negative goodwill arising on acquisitions after 1 January 2001 will be presented as a deduction from assets and will be released to income based on analysis of the circumstances from which the balance resulted. At 31 December 2000, there was no goodwill or negative goodwill held in reserves, consequently, no prior period adjustment is required.

Apart from SSAP 30, the other new or revised SSAPs adopted during the period have not had any significant impact on the Group.

3. Turnover and segmental information

An analysis of the Group's turnover and contribution to loss from operations by business segment is as follows:

	For the six months ended 30 June			
	2001 (Unaudited)		2000 (Unaudited)	
	Turnover ***HK$'000***	**(Loss) profit from operations** ***HK$'000***	Turnover *HK$'000*	(Loss) profit from operations *HK$'000*
External sales				
Manufacture and sale of coke, coal gas, coal tar and benzene	**39,491**	**5,310**	50,480	14,115
Automobile repair and maintenance services	**15,999**	**1,465**	17,957	1,153
Internet software services	**62**	**(328)**	304	(208)
Return from a power plant in the PRC *(note)*	**—**	**(252)**	10,305	7,242
Return from an investment in a motor spare parts business in the PRC *(note)*	**—**	**—**	350	210
	55,552	**6,195**	79,396	22,512
Other revenue		**80**		358
Unallocated corporate expenses		**(14,178)**		(22,965)
Loss from operations		**(7,903)**		(95)

All the turnover of the Group arose from the People's Republic of China ("PRC") excluding the Hong Kong and Macau Special Administrative Regions.

Note: No return has been recognised in the current period as the recoverability of the guaranteed returns for the current period is considered by the directors to be uncertain.

4. Other revenue

	For the six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Guaranteed profit	**—**	18,000
Sundry income	**80**	358
	80	18,358

In 1999, the Group acquired the entire equity interest in Henan Hongkong (Jiyuan) Coking Company Limited 豫港(濟源)焦化有限公司 ("HH Coking") from Henan Hongkong Finance Limited ("HHF"). HHF is a wholly-owned subsidiary of Henan Hongkong Enterprises Limited, a substantial shareholder of the Company.

HHF guaranteed the profit available for distribution of HH Coking, calculated in accordance with accounting principles generally accepted in Hong Kong, to be not less than HK$36,000,000 for the year ended 31 December 2000 and HK$18,000,000 had been recognised for the period ended 30 June 2000.

The guarantee period has been expired and accordingly, there is no profit guaranteed by HHF for the year ending 31 December 2001.

5. Loss from operations

	For the six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Loss from operations has been arrived at after charging:		
Amortisation of guaranteed income investments	**252**	3,203
Depreciation and amortisation of property, plant and equipment	**3,686**	8,267
Loss on disposal of property, plant and equipment	**442**	176

6. Net investment gain

	For the six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Gain (loss) on disposal of other investments	**10,626**	(439)
Unrealised holding gain on other investments	**1,826**	—
Interest income	**1,357**	2,549
	13,809	2,110

7. Taxation

The charge represents PRC income tax on estimated assessable income calculated at the prevailing rates.

No provision for Hong Kong Profits Tax has been made in the financial statements as the companies operating in Hong Kong did not have any assessable profit in both periods.

8. Dividend

No dividends were paid or declared in both periods.

9. (Loss) Earnings per share

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	For the six months ended 30 June	
	2001	2000
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
(Loss) earnings		
(Loss) earnings for the period	**12,323**	3,773
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,663,370**	1,895,719
Effect of dilutive share options		36,404
Weighted average number of ordinary shares for the purposes of diluted earnings per share		1,932,123

No diluted loss per share has been presented for the six months ended 30 June 2001 as the exercise of the share options would result in a decrease in loss per share.

10. Property, plant and equipment

	HK$'000 ***(Unaudited)***
COST	
At 1 January 2001	**273,828**
Additions	**5,411**
Disposals	**(1,267)**
At 30 June 2001	**277,972**
DEPRECIATION AND AMORTISATION	
At 1 January 2001	**171,227**
Provided for the period	**3,686**
Elimination on disposals	**(47)**
At 30 June 2001	**174,866**
NET BOOK VALUE	
At 30 June 2001	**103,106**

11. Interest in subsidiaries not consolidated

	30 June 2001 ***HK$'000*** ***(Unaudited)***	31 December 2000 *HK$'000* *(Audited)*
Share of net assets	**3,560**	—
Goodwill, less accumulated amortization of HK$2,059,000 (2000: nil)	**59,720**	—
	63,280	—

On 19 April 2001, the Group acquired 60% of the issued share capital of CTIA VSAT Network Limited ("CTIA") by acquiring the entire issued share capital of CTIA's holding company, Excellent Idea Group Limited. The acquisition is made at a cash consideration of approximately HK$65,504,000 inclusive of incidental costs. CTIA is incorporated in Hong Kong and is

engaged in investment holding. CTIA's 60% subsidiary is engaged in providing telecommunication services and has a 35% interest in a company which is an integrator and provider of information and data for broadcasting in the PRC.

CTIA and its subsidiary are not consolidated as the Group's ability to appoint the majority of the board of directors to CTIA is limited. The Group and the other shareholder of CTIA both have the right to appoint an equal number of directors to the board of directors. CTIA is accounted for in the Group's condensed financial statements using the equity method of accounting.

The directors of the Company have considered the business plan and future cash flows of CTIA and its subsidiary and are of the opinion that there has been no impairment loss in goodwill.

12. Interests in associates

	30 June 2001 *HK$'000* *(Unaudited)*	31 December 2000 *HK$'000* *(Audited)*
Share of net assets	**85,543**	91,118
Goodwill, less accumulated amortization of HK$4,641,000 (2000: nil)	**41,770**	—
Amounts due from associates	**11,713**	6,738
	139,026	97,856

On 20 January 2001, Central China I.T. Limited, a wholly-owned subsidiary of the Company, acquired 45% of the issued share capital of Sharpo Holdings Limited, a company incorporated in the British Virgin Islands, at a cash consideration of HK$46,350,000. Sharpo Holdings Limited is engaged in e-commerce consultancy, software development, system integration, web design and sales of software.

The directors of the Company have considered the business plan and future cash flows of Sharpo Holdings Limited and are of opinion that there has no impairment loss in goodwill.

13. Deposits for acquisition of investments

During the period, the Group paid deposits of HK$3,900,000 for the acquisition of a company engaged in the telecommunication business. Subsequent to the interim report date, the Group paid HK$3,900,000 and HK$5,000,000 as the second and third deposits for the acquisition of this company.

14. Trade and other receivables

The Group allows an average credit period of 30 days to its trade customers. The aged analysis of trade receivables is as follows:

	30 June 2001 HK$'000 (Unaudited)	31 December 2000 HK$'000 (Audited)
Up to 30 days	**26,995**	23,333
31 to 60 days	**1,218**	3,276
61 to 90 days	**175**	1,624
91 days or above	**2,920**	5,157
Total trade receivables	**31,308**	33,390
Other receivables	**23,350**	41,136
	54,658	74,526

15. Loan and interest receivable

	30 June 2001 HK$'000 (Unaudited)	31 December 2000 HK$'000 (Audited)
Loan	**25,000**	—
Interest receivable	**735**	—
	25,735	—

During the period, a loan of HK$25,000,000 was advanced to a company which is not related to the Group, the Company's directors or substantial shareholders. The loan is unsecured, carries interest at prevailing market rate and is repayable on demand.

16. Trade and other payables

The aged analysis of trade payables is stated as follows:

	30 June 2001 HK$'000 (Unaudited)	31 December 2000 HK$'000 (Audited)
Up to 30 days	**22,859**	9,716
31 to 60 days	**2,148**	5,546
61 to 90 days	**3,936**	887
91 days or above	**6,530**	16,042
Total trade payables	**35,473**	32,191
Other payables	**61,359**	57,168
	96,832	89,359

17. Subsequent event

On 23 July 2001, Master Offshore Limited, a wholly-owned subsidiary of the Company, acquired 20% of the issued share capital of Goldfit Assets Limited, a company incorporated in the British Virgin Islands, at a cash consideration of HK$10,000,000. Goldfit Assets Limited has a 33.3% interest in a company which is engaged in the manufacture and trading of automobiles.