NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. PRINCIPAL ACCOUNTING POLICIES

The condensed interim financial statements have not been audited or reviewed by the Company's auditors but have been reviewed by the Company's Audit Committee.

The condensed interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA"), except that comparative figures for the condensed consolidated statement of cash flows are not present, being the first statement of cash flows to be included in the full set interim report relating to the accounting period ended on or after July 1, 2000. Such departure from SSAP 25 is permitted under The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

The condensed interim financial statements should be read in conjunction with the 2000 annual financial statements. The accounting policies and the basis of preparation adopted are consistent with those followed in the Group's annual financial statements for the year ended December 31, 2000, except for the adoption of certain new SSAPs issued by the HKSA as described below:

SSAP 9 (revised)	Events after balance sheet date
SSAP14 (revised)	Leases
SSAP 26	Segmental reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of SSAP 14 (revised) has no material impact on the reported financial position or results of the Group except that comparative information in the operating lease commitment disclosure is restated to comply with the requirement of this revised statement.

Except for the effect of the adoption of SSAP 14 (revised), the adoption of SSAP 9 (revised), SSAP 26, SSAP 28, SSAP 29, SSAP 30, SSAP 31 and SSAP 32 has no material impact on the reported financial results and position of the Group.

2. SEGMENT INFORMATION

The Group's turnover by activity and by geographical area and the respective contribution to the Group's profit from operations are as follows:

	Turnover For the six months ended June 30,		**Profit from operations For the six months ended June 30,**	
	2001 (Unaudited)	2000 (Unaudited)	**2001 (Unaudited)**	2000 (Unaudited)
	$'000	*$'000*	***$'000***	*$'000*
By activity:				
Construction contracts	**14,951**	37,059	**770**	(24,958)
Sale of television programs	**11,801**	12,547	**2,009**	1,692
Money lending	**–**	–	**5,192**	2,463
Power plant	**–**	–	**–**	26,954
	26,752	49,606	**7,971**	6,151
By geographical area:				
Hong Kong	**14,951**	36,745		
Mainland China	**–**	314		
Taiwan	**11,801**	12,547		
	26,752	49,606		

3. OTHER INCOME

Other income in the current period mainly comprised recovery of bad debts and construction costs previously provided for as well as interest income.

4. TAXATION

	For the six months ended June 30,	
	2001 (Unaudited)	2000 (Unaudited)
	$'000	*$'000*
The Company and its subsidiaries		
– Hong Kong profits tax	**30**	–
– Mainland China income tax	**–**	114
– Taiwan income tax	**79**	–
	109	114

Provision for Hong Kong profits tax has been calculated at the current profits tax rate of 16% (2000 – Not applicable) on the estimated profits arising in or derived from Hong Kong for the period. Taiwan income tax has been calculated at the prevailing rate of 25% (2000 – Not applicable).

5. EARNINGS (LOSS) PER SHARE

a. Basic earnings (loss) per share is calculated based on the consolidated profit (loss) attributable to shareholders for the period of $2,307,129 (2000 – loss of $143,380) and the weighted average number of 739,474,173 (2000 – 530,842,216) ordinary shares in issue during the period.

b. Diluted earnings per share for the period is calculated based on the consolidated profit attributable to shareholders for the period of $2,307,129 and the diluted weighted average number of 745,961,800 ordinary shares in issue during the period. It has been calculated after taking into account the outstanding share options as at June 30, 2001. The effect of the dilution resulting from the outstanding share options on the weighted average number of ordinary shares in issue during the period is an additional 6,487,627 ordinary shares. The shares are deemed to be issued at no consideration on the date when the options were granted. The ordinary shares issuable under outstanding convertible loan notes were anti-dilutive.

Diluted loss per share for the period ended June 30, 2000 was the same as basic loss per share as there was no dilution effect arising from the Company's share options and convertible loan notes.

6. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2001 (Unaudited) ***$'000***	December 31, 2000 (Audited) *$'000*
COST		
Beginning of period/year	**102,191**	307,175
Additions	**168**	14,554
Disposal of a subsidiary	**–**	(215,800)
Disposals	**(4,445)**	(2,083)
Currency translation differences	**(3,628)**	(1,655)
End of period/year	**94,286**	102,191
ACCUMULATED DEPRECIATION		
Beginning of period/year	**17,570**	22,493
Charges for the period/year	**5,182**	13,205
Write back on disposal of a subsidiary	**–**	(16,887)
Write back on disposals	**(4,218)**	(904)
Currency translation differences	**(3,352)**	(337)
End of period/year	**15,182**	17,570
NET BOOK VALUE		
End of period/year	**79,104**	84,621
Beginning of period/year	**84,621**	284,682

7. ACCOUNTS RECEIVABLE

Analysis of accounts receivable is as follows:

	June 30, 2001 (Unaudited) ***$'000***	December 31, 2000 (Audited) *$'000*
Not over 3 months	**–**	14,328
Over 3 months to 6 months	**7,015**	–
Over 6 months to 1 year	**–**	1,287
Over 1 year	**1,186**	2,483
	8,201	18,098
Less: Provision for bad debts	**–**	–
	8,201	18,098

Accounts receivable balances are usually due within 30 days from the date of interim certificates or final accounts for construction contracts and the date of sales invoices for sale of television programs.

8. ACCOUNTS PAYABLE

Aging analysis of accounts payable is as follows:

	June 30, 2001 (Unaudited) ***$'000***	December 31, 2000 (Audited) *$'000*
Not over 3 months	**11,609**	13,261
Over 3 months to 6 months	**–**	79
Over 6 months to 1 year	**46**	89
Over 1 year	**20,145**	27,340
	31,800	40,769

9. SHARE CAPITAL

	June 30, 2001		December 31, 2000	
	Number of shares (Unaudited) ***'000***	**Par value (Unaudited)** ***HK$'000***	Number of shares (Audited) *'000*	Par value (Audited) *HK$'000*
Authorized:				
Ordinary shares of $0.10 each	**2,000,000**	**200,000**	800,000	80,000
Issued and fully paid:				
Beginning of year	**716,005**	**71,600**	523,000	52,300
Shares issued for conversion of convertible loan notes	**–**	**–**	193,005	19,300
Placement of shares	**118,000**	**11,800**	–	–
End of period/year	**834,005**	**83,400**	716,005	71,600

Pursuant to an ordinary resolution passed on March 6, 2001, the authorized share capital of the Company was increased from $80,000,000 to $200,000,000 by the creation of 1,200,000,000 new shares of $0.10 each.

During the period, pursuant to a placement agreement entered into with an independent third party, 118,000,000 ordinary shares of par value of $0.1 each were allotted to the independent third party with net proceeds of approximately $13,924,000.

During the period, options to subscribe for 40,000,000 new shares at the option price of $0.1 per share were granted to two directors of the Company pursuant to the Company's share option scheme. There were 50,000,000 share options outstanding as at June 30, 2001.

10. RESERVES

	Share Premium *$'000*	**Capital reserve** *$'000*	**Contribution surplus** *$'000*	**Exchange reserve** *$'000*	**Accumulated losses** *$'000*	**Total** *$'000*
As at January 1, 2000 (Audited)	244,948	11,126	22,130	–	(106,433)	171,771
Net loss for the year	–	–	–	–	(42,260)	(42,260)
Realization of capital reserve on disposal of a subsidiary	–	(11,126)	–	–	–	(11,126)
Premium arising on conversion of convertible loan notes	191,575	–	–	–	–	191,575
Exchange differences arising on consolidation	–	–	–	(1,085)	–	(1,085)
As at December 31, 2000 (Audited)	436,523	–	22,130	(1,085)	(148,693)	308,875
As at January 1, 2001	436,523	–	22,130	(1,085)	(148,693)	308,875
Profit attributable to shareholders	–	–	–	–	2,307	2,307
Premium arising on placement of Shares, net of issuing expenses	2,124	–	–	–	–	2,124
Exchange differences arising on consolidation	–	–	–	(3,198)	–	(3,198)
As at June 30, 2001 (Unaudited)	**438,647**	**–**	**22,130**	**(4,283)**	**(146,386)**	**310,108**

11. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before taxation to net cash inflow from operating activities:

	For the six months period ended June 30, 2001 (Unaudited) ***$'000***
Profit before taxation	2,416
Depreciation of property, plant and equipment	5,182
Share of results of associates	4,844
Share of results of joint venture	69
Gain on disposal of fixed assets	(588)
Interest income from bank deposits	(345)
Interest income from loans receivable	(10,312)
Interest income from a related party	(1,880)
Interest expense	642
Decrease in gross amount due from customers for contract work	145
Decrease in accounts receivable	9,897
Decrease in prepayments, deposits and other receivables	768
Decrease in retention receivable	611
Decrease in accounts payable	(8,969)
Increase in accruals and other payables	432
Increase in gross amount due to customers for contract work	1,445
Decrease in amount due to intermediate holding company	(3,921)
Decrease in amount due to immediate holding company	(3,872)
Increase in amount due to a related company	257
Net cash outflow from operating activities	(3,179)

12. COMMITMENTS

a. Operating lease commitments

The total future aggregate minimum lease payments under non-cancelable operating leases as at June 30, 2001 are as follows:

	June 30, 2001 (Unaudited) ***$'000***	December 31, 2000 (Audited) *$'000*
Land and buildings		
– within one year	**3,340**	4,571
– in the second to fifth years inclusive	**2,483**	5,171
– after the fifth year	**–**	–
	5,823	9,742

The comparative figures for December 31, 2000 have been restated due to the adoption of SSAP 14 (revised) – "Leases" as described in Note 1.

12. COMMITMENTS *(Continued)*

b. Capital commitment

As at June 31, 2001, pursuant to a joint venture agreement, the Group was committed to contribute approximately $39,382,000 as registered capital and approximately $69,498,000 to the joint venture for the purchase of production lines, fixed assets and as working capital.

13. RELATED PARTY TRANSACTIONS

a. The amount due from a related party is secured against the unlisted shares of an unrelated company, bears interest at 4% above prime rate per annum and is repayable within the next twelve months. During the period, the Group earned interest income of approximately $2,081,000 (2000 – $274,000) from the amount due from a related party.

b. The amounts due to immediate holding company and a related company are unsecured, interest-free and have no fixed repayment terms.

c. During the period, the Group paid legal and professional fees amounting to approximately $616,000 (2000 – $340,000) to a legal consultant who is also an executive director of the Company for consultancy services rendered to the Group.

14. BANKING FACILITIES

As at June 30, 2001, the Group had aggregate banking facilities of approximately $12,900,000 (2000 – $16,471,000) for overdrafts, loans and trade financing. Unused facilities as of the same date amounted to approximately $5,706,000 (2000 – $4,086,000).

These facilities are secured by:

a. a fixed deposit amounting to approximately $4,000,000;

b. a joint and several guarantee for repayment by certain unrelated third parties;

c. certain leasehold land and buildings of the Group with a carrying value of approximately $2,354,000 (2000 – $2,383,000) as at June 30, 2001;

15. CONTINGENT LIABILITIES

As at June 30 2001, the Group had the following contingent liabilities:

a. The Group had given letters of indemnity amounting to approximately $24,514,000 to certain insurance companies for their issuance of surety bonds in relation to its construction business.

b. A subsidiary of the Company is undergoing an arbitration with various sub-contractors in relation to certain disputes over the value of construction works performed by these sub-contractors in the previous years. The total amount of claims by these sub-contractors is approximately $9,559,000. As the outcome of the arbitration cannot be reliably estimated, no provision for contingent losses has been made in the financial statements of the Group as at June 30, 2001.

15. CONTINGENT LIABILITIES *(Continued)*

c. A former employee of the Company has filed a claim against the Company in respect of its failure to allot and issue to the former employee pursuant to the 1997 share option scheme of the Company. As the outcome of the claim is uncertain and cannot be reliably estimated, no provision has been made in respect of this claim in the financial statements as at June 30, 2001.

d. A subsidiary of the Company was sued by China Top Consultants Limited, a legal consultancy firm, for a dispute on a legal charge of approximately $4,357,000. The directors are currently considering to file a counter-claim against China Top Consultants Limited for breach of the professional code. As the outcome of the claim and potential counter-claim is uncertain and cannot be reliably estimated, no provision has been made in respect of this claim in the financial statements of the Group as at June 30, 2001.

16. SUBSEQUENT EVENT

Pursuant to a sale and purchase agreement dated August 1, 2001 (the "Agreement") entered into between a subsidiary of the Company and a third party, the subsidiary agreed to acquire 100% equity interest of Cyber Energy Inc. ("Cyber Energy"), a company incorporated in the British Virgin Islands. Subject to the completion of another sale and purchase agreement entered into between Cyber Energy and another third party, Cyber Energy will hold 60% interest in a sino-foreign cooperative joint venture, which is principally engaged in the development, production and sale of computer hardware and equipment, facilities and products and the provision of after sales services in the Mainland China.

The consideration for acquiring Cyber Energy is approximately $203.8 million. A non-refundable cash deposit of $2 million was paid upon signing of the Agreement. The remaining balance of approximately $201.8 million is to be satisfied by a combination of debentures and cash to be issued by the Company upon completion of the acquisition. Subject to the satisfaction of all conditions as stated in the Agreement, the acquisition is expected to be completed on or before October 31, 2001.