

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2001

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities and prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting". The accounting policies adopted are consistent with those followed in the Group's audited financial statement for the year ended 31st March, 2001 except the method of accounting for segment reporting. In note 2 to these interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26 "Segment Reporting". In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

2. SEGMENT INFORMATION

An analysis of turnover and contribution to the Group's results by business segments and geographical segments is set out below:

Business segments

	Segment revenue		Segment result	
	Six months ended 30th September,		Six months ended 30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of other investments	-	4,348	(168)	(2,233)
Sales of properties held for resale	1,277	-	(5,507)	-
Investment and finance	1,167	1,540	1,048	(1,358)
Rental income	96	2,295	35	1,314
	<u>2,540</u>	<u>8,183</u>	<u>(4,592)</u>	<u>(2,277)</u>
Less: Corporate management expenses			<u>(18,853)</u>	<u>(24,827)</u>
Loss from operations			<u>(23,445)</u>	<u>(27,104)</u>

Geographical segments

	Segment revenue Six months ended 30th September,		Segment result Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	1,308	8,138	(3,892)	(2,291)
Canada	1,180	45	(34)	14
United Kingdom	52	–	(666)	–
	<u>2,540</u>	<u>8,183</u>	<u>(4,592)</u>	<u>(2,277)</u>
Less: Corporate management expenses			<u>(18,853)</u>	<u>(24,827)</u>
Loss from operations			<u>(23,445)</u>	<u>(27,104)</u>

3. DEPRECIATION/AMORTISATION

	Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000
Depreciation on property, plant and equipment	1,261	1,221
Amortisation charged in respect of :		
– goodwill	4,890	–
– intangible assets	2,586	–
– premium on acquisition of associates	–	3,165
	<u>8,737</u>	<u>4,386</u>

4. INCOME TAX EXPENSES

	Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000
The charge comprises :		
Taxation of the Company and its subsidiaries		
– Hong Kong Profits Tax	(106)	–
– overseas taxation	(3)	(2)
	<u>(109)</u>	<u>(2)</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made for the six months ended 30th September, 2000 for the Company and its subsidiaries because these companies incurred tax losses for that period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

5. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of HK\$38,554,000 (2000: HK\$42,784,000) and on weighted average number of ordinary shares in issue after adjusted for the effect of the Company's consolidation of shares during the period of 95,595,941 (2000: 47,405,684).

No diluted loss per share has been calculated for the period ended 30th September, 2001 and 2000 as the exercise of share options and the conversion of the convertible bonds would result in a decrease in the loss per share for both periods.

6. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired and disposed property, plant and equipment for the amount of HK\$891,000 and HK\$2,449,000 respectively.

The Group's property, plant and equipment include cost of HK\$1,443,000 (31st March, 2001: HK\$660,000) and accumulated depreciation of HK\$340,000 (31st March, 2001: HK\$144,000) in respect of energy saving machines which are held for rental income under operating leases.

Included in the net book value of property, plant and equipment of the Group are assets held under finance leases amounting to HK\$3,195,000 (31st March, 2001: HK\$1,303,000).

7. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to its trade debtors. Included in trade and other receivables is trade receivables of HK\$5,426,000 (31st March, 2001: HK\$3,378,000). Its aged analysis at the period end date is as follows:

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
Within 30 days	789	314
31 – 60 days	1,067	162
Over 60 days	3,570	2,902
	<u>5,426</u>	<u>3,378</u>

8. SHORT-TERM LOANS RECEIVABLE

The Group maintained a defined credit policy in accordance with respective loan agreements. All loans receivables at the reporting date are due over 60 days.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables is trade creditors of HK\$255,000 (31st March, 2001: HK\$15,000). Its aged analysis at the period end date is as follows:

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
Within 30 days	185	12
31 – 60 days	70	–
Over 60 days	–	3
	<u>255</u>	<u>15</u>

10. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Authorised :		
At 1st April, 2000 (HK\$0.10 each)	2,000,000,000	200,000
– increase of authorised share capital	<u>4,800,000,000</u>	<u>480,000</u>
At 31st March, 2001 (HK\$0.10 each)	6,800,000,000	680,000
– re-designation and subdivision of the authorised but unissued shares	61,200,000,000	–
– reduction of authorised share capital	<u>(48,000,000,000)</u>	<u>(480,000)</u>
At 30th September, 2001 (HK\$0.01 each)	<u>20,000,000,000</u>	<u>200,000</u>
Issued and fully paid :		
At 1st April, 2000 (HK\$0.10 each)	858,638,944	85,864
– issue of shares upon subscription	90,500,000	9,050
– issue of shares for acquisition of investment securities	133,333,333	13,333
– exercise of conversion rights of convertible bonds	359,809,042	35,981
– exercise of share options	<u>9,500,000</u>	<u>950</u>
At 31st March, 2001 (HK\$0.10 each)	1,451,781,319	145,178
– consolidation of shares of 20 into 1	(1,379,192,254)	–
– capital reduction by cancelling paid up capital to the extent of HK\$1.99 per share	–	(144,452)
– exercise of share options	8,530,000	85
– issue of shares upon subscription	14,500,000	145
– open offer	<u>45,785,570</u>	<u>458</u>
At 30th September, 2001 (HK\$0.01 each)	<u>141,404,635</u>	<u>1,414</u>

11. RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
At 1st April, 2000	287,759	56	(45)	294,601	(435,661)	146,710
Premium arising on issue of shares	216,536	-	-	-	-	216,536
Expenses in connection with the issue of shares	(1,765)	-	-	-	-	(1,765)
Realised on disposal of subsidiaries	-	174	-	-	-	174
Loss for the year	-	-	-	-	(458,361)	(458,361)
At 31st March, 2001	502,530	230	(45)	294,601	(894,022)	(96,706)
Effect of capital reduction	(444,334)	-	-	97,778	491,007	144,451
Premium arising on issue of shares	21,496	-	-	-	-	21,496
Expenses in connection with the issue of shares	(1,385)	-	-	-	-	(1,385)
Translation of financial statements of overseas operation	-	24	-	-	-	24
Amount written off	-	-	145	-	-	145
Loss for the period	-	-	-	-	(38,554)	(38,554)
At 30th September, 2001	<u>78,307</u>	<u>254</u>	<u>100</u>	<u>392,379</u>	<u>(441,569)</u>	<u>29,471</u>

12. CONTINGENT LIABILITIES

	The Group		The Company	
	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
Guarantees given to banks and financial institutions in respect of credit facilities extended to				
- subsidiaries	-	-	8,275	7,853
- a jointly controlled entity	9,500	9,500	9,500	9,500
	<u>9,500</u>	<u>9,500</u>	<u>17,775</u>	<u>17,353</u>

13. MATERIAL EVENTS SUBSEQUENT TO 30TH SEPTEMBER, 2001

- (a) Subsequent to 30th September, 2001, a gross proceeds of HK\$269.8 million was raised from issuing new non-interest bearing convertible bonds due 2004. HK\$241.2 million has been used to purchase existing convertible bonds due 2002; HK\$17.3 million has been used for payment of interest accrued on the existing convertible bonds and the balance has been used as general working capital of the Group.
- (b) In November, 2001, the Company also issued HK\$67 million new non-interest bearing convertible bonds due 2004 at an issue price of HK\$63.6 million to Hutchison International Limited to settle the existing borrowing from and bonds held by Hutchison group.
- (c) In December, 2001, the Company successfully raised a net proceeds of HK\$3.06 million from a placing of 28,200,000 new shares to independent investors. The proceeds will be used as general working capital of the Group.

14. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the changed accounting policies following adoption of the SSAP 26 which has been come into effect since this year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND OPTIONS

As at 30th September, 2001, save for the interests disclosed below, none of the directors or chief executives of the Company had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register kept by the Company under Section 29 of the SDI Ordinance.

Options of the Company

Name	Number of shares comprising the share options	Date of grant	Exercise price per share (HK\$)	Period during which rights are exercisable
Sam Zuchowski	429,602	30.10.1999	16.92	30.10.1999-30.10.2002
	97,377	4.1.2000	29.15	4.1.2000-4.1.2003
	2,864	5.1.2000	31.56	5.1.2000-5.1.2003
	24,058	6.1.2000	33.10	6.1.2000-6.1.2003
	209,073	20.1.2000	37.36	20.1.2000-20.1.2003
	206,209	24.3.2000	17.17	24.3.2000-24.3.2003
	229,121	26.8.2000	8.79	26.8.2000-25.8.2010
	68,736	21.2.2001	1.74	21.2.2001-20.2.2011