

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, property held for development and investments in securities. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has no significant effect on the financial statements for the current or prior period, except as described below.

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the six months ended 30th September, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary and the date of adoption of SSAP 30 have been recognised retrospectively, resulting in a prior period adjustment which increased the accumulated losses as at 1st April, 2001 by HK\$144,644,000. Goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income statement at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life of 20 years. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income statement based on an analysis of the circumstances from which the balance resulted.

3. SEGMENT INFORMATION

An analysis of the Group's revenue and segment result by business and geographical segments is as follows:

By business segment:

	Turnover		Contribution to loss from operations	
	Six months ended 30th September,		Six months ended 30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Income arising from financing estate agency work	553	—	(726)	—
Provision of online and offline advertising services	247	6,874	(3,823)	(19,777)
	<u>800</u>	<u>6,874</u>	<u>(4,549)</u>	<u>(19,777)</u>
Discontinued operation:				
Sale of computer and related products	20,523	518,975	1,075	(7,960)
	<u>21,323</u>	<u>525,849</u>	<u>(3,474)</u>	<u>(27,737)</u>
(Loss) income from investments in securities and bank deposits			(8,504)	344
Unallocated corporate expenses			(5,402)	(2,053)
Loss from operations			<u>(17,380)</u>	<u>(29,446)</u>

Capital Strategic Investment Limited

By geographical segment:

	Turnover		Contribution to loss from operations	
	Six months ended 30th September, 2001		Six months ended 30th September, 2000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations:				
Hong Kong	800	6,874	(4,549)	(19,777)
Discontinued operations:				
Australia	2,555	57,495	126	(1,261)
Europe	—	115,085	—	(2,523)
Hong Kong	17,968	164,215	949	(182)
United States	—	158,004	—	(3,464)
Other Asian countries	—	17,150	—	(376)
Other overseas countries	—	7,026	—	(154)
	21,323	525,849	(3,474)	(27,737)
(Loss) income from investments in securities and bank deposits			(8,504)	344
Unallocated corporate expenses			(5,402)	(2,053)
Loss from operations			(17,380)	(29,446)

4. OTHER REVENUE

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Dividend income from listed investments	192	182
Interest income	4,065	2,686
Others	4,893	782
	9,150	3,650

5. OTHER EXPENSES

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Unrealised loss on investments in securities	6,157	2,000
Loss on disposal of investments in securities	6,604	524
Loss on disposal of property, plant and equipment	393	231
Amortisation of goodwill	1,012	—
Others	105	—
	14,271	2,755

6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	778	17,924

7. NET GAIN ON DISPOSAL OF INTEREST IN SUBSIDIARIES

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Net gain on disposal of interest in subsidiaries (<i>note</i>)	5,983	6,111
Add: Negative goodwill previously credited to reserve	1,195	—
Less: Exchange reserve realised	(80)	—
	<u>7,098</u>	<u>6,111</u>

Note: The net gain on disposal of interest in subsidiaries during the period comprises (i) gain on disposal of the Group's interest in Denco International Limited and Ocean Office Automation Limited of approximately HK\$289,000 and HK\$6,401,000, respectively; and (ii) loss on disposal of the Group's interest in other subsidiaries of approximately HK\$707,000.

8. TAXATION

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	360	153
Taxation in other jurisdictions	—	(59)
Taxation attributable to the Company and its subsidiaries	360	94
Deferred taxation	—	132
	<u>360</u>	<u>226</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessment profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$30,065,000 (HK\$28,728,000 for the six months ended 30th September, 2000) and on the weighted average of 820,008,740 ordinary shares (weighted average of 558,042,519 ordinary shares for the six months ended 30th September, 2000) in issue during the period.

No diluted loss per share has been presented for either period as the exercise of the share options would result in a decrease in loss per share.

10. MOVEMENTS IN INVESTMENT PROPERTIES, PROPERTY HELD FOR DEVELOPMENT AND PROPERTY, PLANT AND EQUIPMENT

In the opinion of the directors, there is no material difference between the carrying amount and the market value of the investment properties and property held for development as at 30th September, 2001.

During the period, property, plant and equipment with an aggregate net book value of approximately HK\$300,000 were acquired as a result of the acquisition of subsidiaries and approximately HK\$27,809,000 were disposed of as a result of the disposal of subsidiaries.

11. INVESTMENTS IN ASSOCIATES

During the period, the Group acquired approximately 48% interest in Premium Land Limited ("Premium Land", formerly Sing Po Media Group Limited) for a consideration of approximately HK\$171,000,000. The interest in Premium Land was diluted from 48% to 40.06% following the new shares issued by way of placing of Premium Land in August, 2001 ("Placing"). Goodwill amounting to approximately HK\$89,820,000 arose from the acquisition of Premium Land. Of this amount, HK\$14,858,000 was released to income statement upon the Placing.

In addition, the Group disposed 27% interest in Sunny Town Limited for a consideration of approximately HK\$7,000,000

12. MOVEMENTS IN INVESTMENTS IN SECURITIES

During the period, the Group acquired investments in securities in aggregate amounting to approximately HK\$114,000,000 and disposed of investments in securities at a consideration in aggregate of approximately HK\$108,000,000.

In addition, an unrealised loss on investments in securities of approximately HK\$6,157,000 has been recognised in the condensed consolidated income statement.

13. DEBTORS, DEPOSITS AND OTHER RECEIVABLES

The Group allows its trade customers a credit period normally ranging from 30 days to 90 days. The aged analysis of the trade debtors at 30th September, 2001 is as follows:

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
0 - 30 days	88	14,729
31 - 60 days	7,279	1,059
61 - 90 days	184	9,794
Over 90 days	890	3,523
	<hr/> 8,441	<hr/> 29,105
Deposits and other receivables	1,105	9,756
	<hr/> 9,546 <hr/>	<hr/> 38,861 <hr/>

14. CREDITORS, ACCRUED CHARGES AND OTHER PAYABLES

Included in creditors, accrued charges and other payables are creditors with the following aged analysis:

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
0 - 30 days	—	21,017
31 - 60 days	465	1,621
61 - 90 days	—	2,498
Over 90 days	16	5,999
	<hr/> 481	<hr/> 31,135
Accrued charges and other payables	59,281	18,263
	<hr/> 59,762 <hr/>	<hr/> 49,398 <hr/>

15. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:	<u>1,800,000,000</u>	<u>180,000</u>
Issued and fully paid:		
At 1st April, 2001	810,861,200	81,086
Issue of new shares	<u>31,000,000</u>	<u>3,100</u>
At 30th September, 2001	<u>841,861,200</u>	<u>84,186</u>

Pursuant to a resolution passed at a board of directors' meeting of the Company held on 7th August, 2001, 31,000,000 ordinary shares of HK\$0.10 each of the Company were issued at HK\$0.25 per share to acquire 80% interest in Consecutive Profits Limited.

All shares issued during the period rank pari passu with the then existing shares in issue in all respects.

16. RESERVES

	Share premium	Goodwill on consolidation	Exchange reserve	Retained profits (accumulated losses)	Total
	HK\$'000	HK\$'000H	K\$'000	HK\$'000	HK\$'000
THE GROUP					
At 1st April, 2000	193,134	1,195	(2,478)	143,982	335,833
Net premium on issue of shares	246,667	—	—	—	246,667
Arising on acquisition of interests in subsidiaries	—	(144,644)	—	—	(144,644)
Realized on disposal of subsidiaries	—	—	2,398	—	2,398
Loss for the year	—	—	—	(176,288)	(176,288)
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At 31st March, 2001					
- as originally stated	439,801	(143,449)	(80)	(32,306)	263,966
- prior period adjustment in respect of change in accounting policy for goodwill (note 2)	—	144,644	—	(144,644)	—
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- as restated	439,801	1,195	(80)	(176,950)	263,966
Net premium on issue of shares	4,165	—	—	—	4,165
Realized on disposal of subsidiaries	—	(1,195)	80	—	(1,115)
Loss for the period	—	—	—	(30,065)	(30,065)
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At 30th September, 2001	443,966	—	—	(207,015)	236,951

17. COMMITMENTS

At 30th September, 2001, the Group had no material capital commitment.

18. POST BALANCE SHEET EVENTS

The following significant events occurred subsequent to 30th September, 2001:

- (a) On 5th October, 2001, the Group entered into a sale and purchase agreement with Elrond Limited, an independent third party, to dispose of its 60% owned subsidiary, Admomentum Limited, at a consideration of HK\$35,000,000. The transaction was completed on 18th October, 2001, an increase in net tangible assets of approximately HK\$34,960,000 and a gain on disposal, after writing off goodwill, of approximately HK\$34,960,000 will be reflected in the results of the Group for the second half of the year ending 31st March, 2002.
- (b) On 16th October, 2001, the Group entered into a sale and purchase agreement with United Jumbo Limited, an independent third party, to dispose of its 32.06% interest in Premium Land Limited at a consideration of approximately HK\$139,441,000. On the same date, the Group entered into a placing agreement with Guotai Junan Securities (Hong Kong) Limited, a placing agent, to place its remaining 8% interest in Premium Land Limited at a consideration of approximately HK\$34,807,000. Both transactions were completed on 26th October, 2001, an increase in net tangible assets of approximately HK\$86,646,000 and a gain on disposal of approximately HK\$11,682,000 will be reflected in the results of the Group for the second half of the year ending 31st March, 2002.
- (c) Pursuant to a resolution passed at a board of directors' meeting of the Company held on 20th August, 2001, 420,930,600 new shares of HK\$0.10 each were issued by way of rights issue ("Rights Issue") at an issue price of HK\$0.15 per share to the then existing shareholders, in the proportion of one rights share for every two shares then held. The net proceeds of the Rights Issue of approximately HK\$63,100,000 are to be used as general working capital and for future strategic investment purposes. As at 30th September, 2001, the Group received HK\$33,000,000 of the proceeds for the Rights Issue. The remaining amount of approximately HK\$30,100,000 was received from the underwriter upon the completion of Rights Issue on 4th October, 2001.
- (d) Subsequent to 30th September, 2001, the Group entered into two sale and purchase agreements to acquire two prime properties for a total consideration of HK\$59,500,000. The acquisitions will be completed on or before 16th January, 2002.

19. ACQUISITION OF SUBSIDIARY

During the period, the Group acquired 80% of the issued share capital of Consecutive Profits Limited for a consideration of HK\$11,462,000. This transaction has been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	<i>HK\$'000</i>
Net assets acquired	2,485
Goodwill arising on acquisition	8,977
	<hr/>
Consideration	11,462
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Satisfied by:	
Issue of shares	7,265
Cash	4,197
	<hr/>
	11,462
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Net cash outflow arising on acquisition	
Cash consideration	4,197
Bank balances and cash acquired	(123)
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	4,074
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Consecutive Profits Limited did not make any significant contribution to the results of the Group during the current period.

20. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of its entire interests in Denco International Limited (“Denco”) and Ocean Office Automation Limited (“OOAL”) for a consideration of HK\$40,500,000 and HK\$1,000,000, respectively. In addition, the Group also disposed its interest in other subsidiaries for a consideration in aggregate of HK\$1,063,000. The disposal of subsidiaries resulted in the discontinued operations of the sale of computer and related products of the Group.

HK\$'000

The effect of the disposals are summarised as follows:

Net assets disposed of	36,580
Negative goodwill released	(1,195)
Exchange reserve realised	80
	35,465
Gain on disposal	7,098
	42,563
Consideration	
Net cash inflow arising on disposal:	
Cash consideration received	42,563
Bank balances and cash disposed of	(12,384)
	30,179

The disposed subsidiaries did not make any significant contribution to the results of the Group during the current period.