

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2001

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting”, issued by the Hong Kong Society of Accountants (“HKSA”).

The significant accounting policies used in the preparation of these interim unaudited condensed consolidated financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31 March 2001, except in relation to SSAP 14 (revised) “Leases”.

SSAP 14 (revised) prescribes the accounting treatment and disclosures for leases and hire purchase contracts. This SSAP has been applied prospectively. This has had no major impact on these unaudited condensed consolidated financial statements; however, the disclosures for commitments under non-cancellable operating leases have been changed. In prior years, operating lease commitments were disclosed as payments committed to be made during the next year, analysed between those in which the commitment would expire within that year; in the second to fifth years, inclusive; and over five years. In the current period, the disclosure has been changed to the total of the future minimum lease payments under non-cancellable operating leases analysed into those not later than one year; later than one year and not later than five years; and later than five years. Disclosures as required are set out in note 13 to these unaudited condensed consolidated financial statements.

In preparing these unaudited condensed consolidated financial statements, the Directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group.

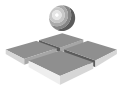
As further explained in note 10 to the unaudited condensed consolidated financial statements, the Group was in default of certain other loans in the aggregate of approximately HK\$52 million at 30 September 2001. Subsequent to the balance sheet date, all overdue other loans aggregating HK\$52 million were settled by the Group/waived by the lender in full.

Subsequent to the balance sheet date and as further detailed in note 16(a) and (b) to the unaudited condensed consolidated financial statements, the Group successfully realised approximately HK\$16 million from the disposal of certain subsidiaries (the “Subsequent Disposals”).

These unaudited condensed consolidated financial statements have been prepared on the assumption that the Group will continue to operate as a going concern, notwithstanding its liquidity concerns as at 30 September 2001 and the date of approval of these unaudited condensed consolidated financial statements to finance its existing and new investments/operations. In the opinion of the Directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration several arrangements made during the period and subsequent to the balance sheet date, including the Subsequent Disposals, and certain future financing measures including, inter alia, the following:

- (a) The Group has actively identifying/negotiating with potential purchasers to dispose of its investments and properties.
- (b) The Group is currently in the process of identifying/negotiating with potential investors to raise new equity financing for the Group.
- (c) The Group is currently negotiating with the creditors to reschedule the repayment terms of the debts.

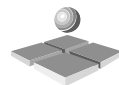
The Directors are of the opinion that, in light of the measures taken to date, together with the expected results of other measures in progress/as planned, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. The Directors believe that the aforementioned disposal programme and financing plans will be successful. Accordingly, these unaudited condensed consolidated financial statements have been prepared on a going concern basis.



2. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of operations is as follows:

	Unaudited Turnover Six months ended 30 September		Unaudited Contribution to loss from operating activities Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By activity:				
Discontinued operations				
Department store and supermarket operations	—	12,380	—	(2,316)
Restaurant and entertainment businesses	—	12,156	—	(3,271)
	—	24,536	—	(5,587)
Continuing operations				
Property investment and development	4,770	12,035	11,211	19,818
Investment holding	—	—	(112,349)	(37,371)
	4,770	12,035	(101,138)	(17,553)
	4,770	36,571	(101,138)	(23,140)
By geographical area:				
People's Republic of China	—	—	(112,349)	(37,371)
Hong Kong	4,770	36,571	11,211	14,231
Elsewhere	—	—	—	—
	4,770	36,571	(101,138)	(23,140)



3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Unaudited	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	163	610
Leased fixed asset	271	163
	<u>434</u>	<u>773</u>
Loss on disposal of subsidiaries	—	37,804
Loss on disposal of other investments	43,409	—
Write-off of fixed assets	1,871	—
Amortisation of deferred income	—	(1,214)
Interest income	(7,452)	(15,870)
	<u><u>(7,452)</u></u>	<u><u>(15,870)</u></u>

4. TAX

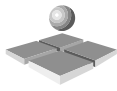
	Unaudited	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
The Company and subsidiaries:		
Hong Kong	—	—
Overseas	452	1,991
	<u>452</u>	<u>1,991</u>
Associates:		
Overseas	—	—
	<u>—</u>	<u>—</u>
Tax charge for the period	<u><u>452</u></u>	<u><u>1,991</u></u>

No provision for Hong Kong profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period.

Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the respective jurisdictions in which they operate, based on existing legislation, interpretations and practices in respect thereof.

5. INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the period (2000: Nil).



6. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated based on (i) the net loss from ordinary activities attributable to shareholders for the period of HK\$119,065,000 (2000: HK\$54,030,000); and (ii) the weighted average number of 2,455,948,689 (2000: 539,191,944) ordinary shares in issue during the period, as adjusted to reflect the consolidation of shares during the period (note 11).

(b) Diluted loss per share

No diluted loss per share is presented for the six months ended 30 September 2001 and 30 September 2000 respectively as the effect of the Company's outstanding share options was anti-dilutive.

7. FIXED ASSETS

During the period, the Group acquired certain fixed assets for a total consideration of approximately HK\$142,000. During the period, the Group has disposed of and written-off certain fixed assets with an aggregate carrying value of approximately HK\$2,607,000.

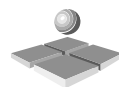
8. INTERESTS IN ASSOCIATES

	Unaudited 30 September 2001 HK\$'000	Audited 31 March 2001 HK\$'000
Share of net assets other than goodwill	2,881	3,796
Loans to an associate	331,867	297,007
Amount due from an associate	217	217
	<u>334,965</u>	<u>301,020</u>
Portion classified as current assets	<u>(217)</u>	<u>(217)</u>
Non-current portion	<u><u>334,748</u></u>	<u><u>300,803</u></u>

The loans to the associate are unsecured, bear interest at Hong Kong Inter-bank Borrowing Rate plus 1.7882% per annum and are not repayable within one year.

The amount due from the associate is unsecured, interest-free and has no fixed terms of repayment.

The Group's share of the net losses accumulated by the associates for the period amounted to HK\$491,000 (2000: HK\$978,000).



9. OTHER INVESTMENTS AND RELATED ADVANCES

	Unaudited 30 September 2001 <i>HK\$'000</i>	Audited 31 March 2001 <i>HK\$'000</i>
Other investments, at fair value:		
Listed equity investment in Hong Kong	—	2,053
Unlisted equity investments	<u>105,084</u>	<u>175,195</u>
	105,084	177,248
Advances to investees	<u>4,408</u>	<u>5,960</u>
	<u>109,492</u>	<u>183,208</u>
Market value of Hong Kong listed equity investment at the balance sheet date	<u>—</u>	<u>2,053</u>

During the period, the Group disposed of its listed equity investment in Hong Kong, vLink Global Limited, and one of its unlisted equity investments, Autopower Technology Limited.

The advances to investees are unsecured, interest-free and have no fixed terms of repayment.

10. INTEREST-BEARING OTHER LOANS

	Unaudited 30 September 2001 <i>HK\$'000</i>	Audited 31 March 2001 <i>HK\$'000</i>
Other loans:		
Secured	364,345	293,443
Unsecured	<u>22,218</u>	<u>43,095</u>
	386,563	336,538
Portion repayable within one year or on demand classified as current liabilities	<u>(51,718)</u>	<u>(43,095)</u>
Non-current portion	<u>334,845</u>	<u>293,443</u>

The secured other loans carry floating interest rates calculated with reference to the Hong Kong dollar prime rate and is not repayable within one year, except for certain other loans amounted to HK\$51,718,000 as at 30 September 2001 which are repayable on demand. The interest rates thereon at 30 September 2001 ranged from 10.50% to 11.75% per annum.

Certain secured other loans of the Group amounted to HK\$334,845,000 were secured by way of a first legal charge over the shares in an associate of the Group together with the assignment and transfer of all dividends or any other distributions deriving therefrom and the remaining secured other loans amounted to HK\$29,500,000 were secured by the Group's entire interest in a subsidiary, certain properties held for sale with a carrying value of HK\$50 million and an other investment, PiLink International Limited, with a carrying value of approximately HK\$50 million as at 30 September 2001.

At 30 September 2001, the Group was in default of repayments of certain other loans totalling approximately HK\$52 million. These loans were repayable on demand and, therefore, classified as current liabilities.

Subsequent to the balance sheet date, all overdue other loans of approximately HK\$52 million were settled by the Group/waived by the lender in full, which resulted in a gain from the waiver of the other loans together with the interest accrued thereon of approximately HK\$4 million.