

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and 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 31st March, 2001, except that in the current period, the Group has adopted for the first time, a number of new and revised SSAPs which has resulted in the adoption of SSAP 30 “Business Combinations” and the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st April, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

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

Apart from SSAP 30, the other new and revised SSAPs adopted during the period do not have significant impact to the Group.

3. SEGMENT INFORMATION

	Turnover		Segment results	
	Six months ended		Six months ended	
	30th September,		30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business nature				
Publishing of newspaper and magazine and advertising income	37,940	–	(12,983)	–
Property development	–	321,629	–	95,860
Property rental	1,920	49,198	1,920	48,395
Securities trading and investment	1,051	4,748	(12,254)	(3,114)
Software development	9	–	(13,837)	(11,446)
	<u>40,920</u>	<u>375,575</u>	(37,154)	129,695
Other income			2,544	27,887
Central administrative expenses			<u>(26,506)</u>	<u>(27,659)</u>
(Loss) profit from operations			<u>(61,116)</u>	<u>129,923</u>

	Turnover		Segment results	
	Six months ended		Six months ended	
	30th September,		30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical region				
Hong Kong	40,911	375,575	(23,317)	141,141
North America	9	–	(13,837)	(11,446)
	<u>40,920</u>	<u>375,575</u>	(37,154)	129,695
Other income			2,544	27,887
Central administrative expenses			<u>(26,506)</u>	<u>(27,659)</u>
(Loss) profit from operations			<u>(61,116)</u>	<u>129,923</u>

4. COST OF SALES

The amount for the period from 1st April, 2000 to 30th September, 2000 included the Group's share of surplus of approximately HK\$27,322,000 released from other property revaluation reserve upon the pre-sale of properties under development held for sale.

5. (LOSS) PROFIT FROM OPERATIONS

The (loss) profit from operations has been arrived at after charging (crediting):

	Six months ended	
	30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of intangible asset	859	–
Depreciation and amortisation of property, plant and equipment	4,829	4,095
Interest income	(1,340)	(4,879)

6. TAXATION

	Six months ended	
	30th September,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Overseas taxation:		
Current period	–	30
Underprovision in prior periods	–	230
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	–	260
Share of taxation attributable to associates	–	3,082
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	–	3,342
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No provision for taxation has been made in the financial statements as the companies comprising the Group incurred tax losses for the period. Overseas taxation for the prior period was calculated at the rates prevailing in the respective jurisdictions.

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000
(Loss) earnings for the purpose of basic (loss) earnings per share	(66,192)	29,445
Effect of dilutive potential ordinary shares:		
– adjustment to the share of results of a former indirectly owned subsidiary of the Company, with its shares listed on the Stock Exchange, based on dilution of its earnings per share	–	(1,066)
– adjustment to the share of results of a former associate, with its shares listed on the Stock Exchange, based on dilution of its (loss) earnings per share	–	(122)
(Loss) earnings for the purpose of diluted (loss) earnings per share	<u>(66,192)</u>	<u>28,257</u>

	Six months ended 30th September,	
	2001 Number of shares	2000 Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<u>324,466,320</u>	<u>312,947,194</u>

For the six months ended 30th September, 2000, the computation of diluted earning per share does not assume the exercise of the Company's outstanding share options as the exercise price was higher than the average fair value per share. The computation also does not assume the conversion of the Company's outstanding convertible redeemable notes since their exercise would result in an increase in earnings per share from continuing ordinary operations.

The weighted average number of the shares for the purpose of basic and diluted (loss) earnings per share for the six months ended 30th September, 2000 has been adjusted for the effect of the consolidation of the Company's shares as set out in note 15.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSET

The directors consider that the values of the Group's investment properties as at 30th September, 2001 would not differ materially from the professional valuation made as at 31st March, 2001 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

During the six months ended 30th September, 2001, the Group disposed of certain subsidiaries which had property, plant and equipment and an intangible asset with an aggregate carrying value of approximately HK\$96,000,000 and HK\$67,216,000 respectively.

9. INVESTMENTS IN SECURITIES

Included in investment in securities is an unlisted convertible bond with principal amount of HK\$25,550,000 issued by Newslink Holding Limited (“Newslink”), an investment holding company incorporated in the British Virgin Islands, according to a subscription agreement entered into between the Group and Newslink on 23rd August, 2001.

10. TRADE AND OTHER RECEIVABLES

The Group did not have any trade receivables as at 30th September, 2001.

The Group allowed its trade customers with a credit period normally ranging from 30 days to 60 days. As at 31st March, 2001, included in trade and other receivables were trade receivables of HK\$11,589,000 and their aged analyses were as follows:

	<i>HK\$'000</i>
Trade receivables	
0 to 30 days	9,852
31 to 90 days	1,644
More than 90 days	93
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	11,589
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11. TRADE AND OTHER PAYABLES

The Group did not have any trade payables as at 30th September, 2001. As at 31st March, 2001, included in trade and other payables were trade payables of HK\$12,861,000 and were aged under 30 days.

12. AMOUNT DUE TO A SHAREHOLDER

The amount represents expenses paid on behalf of the Group by Capital Strategic Investment Limited which is unsecured, non-interest bearing and fully settled subsequent to the balance sheet date.

13. LOANS FROM RELATED PARTIES

The amount represents a loan from a director of a subsidiary of the Company and a loan from a company in which that director has a beneficial interest. The amounts are unsecured, bear interest at commercial rates and repayable within one year.

14. AMOUNT DUE TO FORMER ULTIMATE HOLDING COMPANY

The amount represented an amount due to China Strategic Holdings Limited which was unsecured, non-interest bearing and was assigned to a subsidiary of China Strategic Holdings Limited upon disposal of the subsidiaries.

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amounts HK\$ '000
AUTHORISED			
Ordinary shares at HK\$0.40 each at 1st April, 2000 and 31st March, 2001		3,000,000,000	1,200,000
Addition due to subdivision of shares into 40 ordinary shares of HK\$0.01 each	<i>(a)</i>	<u>117,000,000,000</u>	–
Ordinary of shares at HK\$0.01 each		120,000,000,000	1,200,000
Consolidation of ordinary shares	<i>(a)</i>	<u>(96,000,000,000)</u>	–
Ordinary shares at HK\$0.05 each at 30th September, 2001		<u>24,000,000,000</u>	<u>1,200,000</u>
ISSUED AND FULLY PAID			
Balance at 1st April, 2000 and 31st March, 2001 at HK\$0.40 each		1,564,735,970	625,894
Adjustment of nominal value and consolidation of ordinary shares	<i>(a)</i>	<u>(1,251,788,776)</u>	<u>(610,247)</u>
		312,947,194	15,647
Issue of shares on private placement	<i>(b)</i>	<u>62,000,000</u>	<u>3,100</u>
Balance at 30th September, 2001 at HK\$0.05 each		<u>374,947,194</u>	<u>18,747</u>

During the period, the following changes in the share capital of the Company took place:

- (a) Pursuant to special resolutions passed by the shareholders in a special general meeting held on 2nd April, 2001. The Company carried out the following capital reorganisation proposal:
- subdividing every unissued share of HK\$0.40 into 40 unissued shares of HK\$0.01 each;
 - adjusting the nominal value of the shares of the Company by reducing the nominal value of all the issued shares from HK\$0.40 each to HK\$0.01 each by the cancellation of HK\$0.39 paid up share capital on each issued share;
 - consolidating every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05; and
 - cancelling an amount of HK\$48,000,000 from the share premium account of the Company and crediting this amount together with the nominal issued shares of HK\$610,247,000 so cancelled to the contributed surplus account of the Company (note 16).
- (b) On 27th July, 2001 a placing agreement was entered into between the Company and certain independent institutional investors to subscribe for 62,000,000 shares of HK\$0.05 each in the Company at a price of HK\$1.10 per share, representing a premium of 0.9% to the closing market price of the Company's shares on 27th July, 2001. The proceeds will be used for future expansion in properties investment and development and in securities trading and investment.

16. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Capital reserve (goodwill) on consolidation HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 1st April, 2000	50,395	13,878	498,329	328,915	361,123	78,176	-	(5,629)	496,388	1,821,575
Surplus arising on revaluation of investment properties	-	-	23,051	-	-	-	-	-	-	23,051
Share of associates' reserve movements	-	-	2,596	-	(1,569)	-	-	(5,734)	-	(4,707)
Goodwill arising on acquisition of subsidiaries	-	-	-	-	(67,551)	-	-	-	-	(67,551)
Capital reserve arising on acquisition of an associate	-	-	-	-	2,651	-	-	-	-	2,651
Write-off of goodwill charged to income statement	-	-	-	-	13,056	-	-	-	-	13,056
Release of reserve upon disposal of other property	-	-	-	(26,968)	-	-	-	-	-	(26,968)
Transfer from interest in an associate to other investment	-	-	-	-	33,799	-	-	-	-	33,799
Eliminated on disposal of interests in subsidiaries	-	-	(498,979)	(301,947)	(394,111)	-	-	14,182	-	(1,180,855)
Exchange differences arising on translation of financial statements of overseas operations	-	-	-	-	-	-	-	(3,315)	-	(3,315)
Loss for the year	-	-	-	-	-	-	-	-	(1,025,297)	(1,025,297)
At 31st March, 2001	<u>50,395</u>	<u>13,878</u>	<u>24,997</u>	<u>-</u>	<u>(52,602)</u>	<u>78,176</u>	<u>-</u>	<u>(496)</u>	<u>(528,909)</u>	<u>(414,561)</u>
Cancellation of shares (note 15)	-	-	-	-	-	-	610,247	-	-	610,247
Cancellation of share premium (note 15)	(48,000)	-	-	-	-	-	48,000	-	-	-
Issue of shares	65,100	-	-	-	-	-	-	-	-	65,100
Share issue expenses	(682)	-	-	-	-	-	-	-	-	(682)
Eliminated on disposal of interest in subsidiaries	-	-	-	-	(1,445)	-	-	573	-	(872)
Loss for the period	-	-	-	-	-	-	-	-	(66,192)	(66,192)
At 30th September, 2001	<u>66,813</u>	<u>13,878</u>	<u>24,997</u>	<u>-</u>	<u>(54,047)</u>	<u>78,176</u>	<u>658,247</u>	<u>77</u>	<u>(595,101)</u>	<u>193,040</u>

The contributed surplus of the Group represents the cancellation of an amount of HK\$48,000,000 from the share premium account of the Company and the credit of an amount of HK\$610,247,000 so cancelled as detailed in note 15(a)).

17. DISPOSAL OF SUBSIDIARIES

The subsidiaries disposed of during the period contributed HK\$37,940,000 to the Group's turnover and HK\$28,753,000 to the Group's loss from operations.

The subsidiaries disposed of during the period contributed HK\$31,427,000 to the Group's net operating cash outflow and raised HK\$25,193,000 in respect of financing activities.

18. CAPITAL COMMITMENTS

	30th September, 2001	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of purchase of property, plant and equipment contracted for but not provided in the condensed financial statements	—	16,201
	<u>—</u>	<u>16,201</u>

19. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

- (a) In October 2001, the Group paid a deposit of HK\$10 million to an independent third party as a partial consideration to acquire a 13.5% interest in Auto System Limited. Auto System Limited is a company incorporated in British Virgin Islands and engaged in the trading of indoor automation system.
- (b) In November 2001, the Group entered into a sale and purchase agreement with an independent third party to acquire 30% interest in Dionysus Investments Limited at a consideration of HK\$30 million. Dionysus Investment Limited is incorporated in British Virgin Islands and is engaged in property development.
- (c) In October 2001, a loan facility of HK\$105 million was granted to the Group by former subsidiary of the Company for a period of twelve month from the date of drawdown.