

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For six months ended 30 June 2002

1. BASIS OF PREPARATION

The Interim Financial Report has been prepared in accordance with the Statement of Standard Accounting Practice 25 “Interim Financial Reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants and with the Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies, methods of computation and basis of preparation used in the preparation of these Interim Financial Statements are consistent with those used in Group’s Annual Financial Statements for the year ended 31 December 2001, except the adoption of the following Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above standards does not have material impact on amounts reported in prior period and certain comparative figures for prior period have been restated to reflect new disclosure requirements.

2. SEGMENTAL INFORMATION

	Six months ended 30 June					
	2002			2001		
	External customers	Inter-segment	Total	External customers	Inter-segment	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue						
Property development	—	—	—	9,534	—	9,534
Property leasing	44,313	1,803	46,116	31,294	3,457	34,751
Telecommunications	—	—	—	—	—	—
Buildings management services	21,866	—	21,866	1,845	—	1,845
Others	1,158	577	1,735	1,249	—	1,249
Elimination	—	(2,380)	(2,380)	—	(3,457)	(3,457)
	67,337	—	67,337	43,922	—	43,922

	Contribution from			
	Segment result		operation	
	Six months ended 30 June		Six months ended 30 June	
	2002	2001	2002	2001
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Property development	—	(276)	—	(607)
Property leasing	49,610	37,274	48,384	37,165
Telecommunications	(87,140)	(12,365)	(87,140)	(12,358)
Buildings management services	4,233	2,007	4,233	2,007
Others	(18,525)	(3,068)	(17,600)	(8,229)
Unallocation	—	—	769	784
	(51,822)	23,572	(51,354)	18,762

The telecommunications segment is based in the People's Republic of China. Turnover and the Operating results of other segments are derived from Hong Kong.

3. OTHER NET INCOME

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Miscellaneous income	<u>723</u>	<u>1,263</u>
	<u><u>723</u></u>	<u><u>1,263</u></u>

4. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of goodwill	4,159	7,461
Impairment of goodwill	80,000	—
Debt restructuring expenses	<u>—</u>	<u>1,066</u>
	<u><u>84,159</u></u>	<u><u>8,527</u></u>

5. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2002	2001
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank loans and overdrafts wholly repayable within five years	30,364	81,288
Interest on other borrowings wholly repayable within five years	<u>18,299</u>	<u>19,163</u>
Total borrowing costs	48,663	100,451
Less: Amount capitalised into investment properties/properties under development	<u>—</u>	<u>(27,047)</u>
	<u>48,663</u>	<u>73,404</u>
	Six months ended 30 June	
	2002	2001
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	HK\$'000	HK\$'000
(b) Other items:		
Cost of properties sold (other than leasehold land and buildings)	—	9,625
Depreciation	886	1,221
Loss on disposal of properties	—	91
Amortisation of Goodwill	<u>4,159</u>	<u>7,461</u>

6. GAIN ON DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

The amount represented profit on deemed disposal of interest in Well Pacific Development Limited, one of the Group's subsidiaries, as a result of the issuance of new shares by Well Pacific Development Limited to other investors.

7. TAXATION

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong taxation	<u>105</u>	<u>—</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit arising in Hong Kong for the period.

8. INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend in respect of the period. (2001: Nil)

9. LOSS PER SHARE

The calculation of basic loss per share is based on current period loss of HK\$95,102,000 (30 June 2001: loss of HK\$53,730,000) and on weighted average number of 3,116,402,151 shares (30 June 2001: 3,116,402,151 shares) in issue during the period.

No diluted loss per share has been presented for the two periods ended 30 June 2002 and 2001 because the conversion/exercise of the outstanding potential ordinary shares would have been anti-dilutive for the periods.

10. AGEING ANALYSIS OF THE TRADE RECEIVABLES

The Group maintains a controlled credit policy. The ageing analysis of the trade receivables as at the balance sheet date is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
0-30 days	1,250	1,937
31-90 days	756	1,877
After 90 days but within one year	<u>2,514</u>	<u>2,610</u>
	<u>4,520</u>	<u>6,424</u>

11. AGEING ANALYSIS OF THE TRADE PAYABLES

All the trade payables of HK\$9,432,000 (31 December 2001: HK\$15,276,000) were within 30 days at the balance sheet date.

12. INTEREST-BEARING BORROWINGS

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Wholly repayable within five years:		
Bank loans — secured	1,067,911	1,327,582
Other loans	96,858	93,302
Amount due to ultimate holding company	<u>243,580</u>	<u>236,253</u>
	1,408,349	1,657,137
Portion classified as current liabilities	<u>(789)</u>	<u>(757)</u>
Long-term portion	<u>1,407,560</u>	<u>1,656,380</u>

12. INTEREST-BEARING BORROWINGS *(Continued)*

At 30 June 2002, interest-bearing borrowings were repayable as follows:

	30 June 2002 <i>(Unaudited)</i> HK\$'000	31 December 2001 <i>(Audited)</i> HK\$'000
Within 1 year or on demand	<u>789</u>	<u>757</u>
After 1 year but within 2 years	281,512	359,024
After 2 year but within 5 years	703,780	796,078
After 5 years	<u>422,268</u>	<u>501,278</u>
	<u>1,407,560</u>	<u>1,656,380</u>
	<u>1,408,349</u>	<u>1,657,137</u>

13. SHARE CAPITAL

	30 June 2002 <i>(Unaudited)</i>		31 December 2001 <i>(Audited)</i>	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<i>Authorised:</i>				
Ordinary share of HK\$0.1 each	<u>5,000,000,000</u>	<u>500,000</u>	<u>5,000,000,000</u>	<u>500,000</u>
			Number of shares of HK\$0.1 each	Nominal value HK\$'000
<i>Issued and fully paid:</i>				
At 31 December 2001 and 30 June 2002			<u>3,116,402,151</u>	<u>311,640</u>

No changes in the issued share capital of the Company took place during the period.

14. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Bank balance and cash	6,940	40,069
Bank overdrafts — secured	—	(31,984)
	<u>6,940</u>	<u>8,085</u>

15. RELATED PARTY TRANSACTIONS

No material transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business during the period.

16. POST BALANCE SHEET EVENTS

Upon effective of the Capital Reorganisation of the Company on 23 July 2002:

- (i) the nominal value of each of the issued shares in the capital of the Company was reduced from HK\$0.10 each to HK\$0.01 each such that the issued share capital was reduced from HK\$311,640,215 by HK\$280,476,194 to HK\$31,164,021 (the “Capital Reduction”);
- (ii) the Company’s share premium account was reduced by the entire amount of HK\$1,061,335,986 (the “Share Premium Reduction”);
- (iii) all of the authorised but unissued share capital of the Company was cancelled and immediately thereafter, the authorised share capital was increased to bring the authorised share capital to an amount of HK\$500,000,000, (the authorised share capital was increased from HK\$31,164,021 to HK\$500,000,000 by the creation of additional 46,883,597,849 new shares of HK\$0.01 each); and
- (iv) the credit arising from the Capital Reduction and the Share Premium Reduction amounting to approximately HK\$1,341,812,180 was applied to partially set off the accumulated losses of the Company.