



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim 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. The accounting policies and basis of preparation adopted are the same as those used in the Group's audited financial statements for the year ended 31 December 2001. In 2002, the Group has for the first time adopted the following revised and new SSAPs 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 34	"Employee benefits"

The adoption of these SSAPs does not make any changes to the accounting policies of the Group and has no major impacts on the unaudited condensed consolidated financial statements for the period, except for SSAP 1 (Revised) and SSAP 15 (Revised) which are summarised as follows:

SSAP 1 (Revised) prescribes the basis of presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to SSAP 1 (Revised) is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The unaudited condensed consolidated statement of changes in equity for the period and the comparative figures have been presented in accordance with SSAP 1 (Revised).

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The unaudited condensed consolidated cash flow statement for the period and the comparative figures have been presented in accordance with SSAP 15 (Revised).



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Segment information

The following tables present revenue and profit/(loss) of the Group for the six months ended 30 June 2002 by business segments and geographical segments:

(a) Business segments:

	Six months ended 30 June (Unaudited)											
	High-tech computers and servers manufacturing		Property investment, development and trading		Ophthalmology treatments		Others		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	44,697	54,047	19,844	2,395	2,037	596	2,339	1,868	-	-	68,917	58,906
Intersegment sales	-	-	-	-	-	-	2,916	-	(2,916)	-	-	-
Other revenue	729	67	2,456	4	286	8	1,421	4,204	(1,300)	-	3,592	4,283
Total	45,426	54,114	22,300	2,399	2,323	604	6,676	6,072	(4,216)	-	72,509	63,189
Segment results	(25,875)	17,562	(2,888)	(389)	18	(7,024)	4,321	5,914	(4,216)	-	(28,640)	16,063
Unallocated other revenue											787	2,132
Unallocated expenses											(6,325)	(5,792)
Profit/(loss) from operating activities											(34,178)	12,403
Finance costs											(82)	(107)
Share of profits less losses of:												
Associates											(192)	(2)
Jointly-controlled entities											(17)	-
Profit/(loss) before tax											(34,469)	12,294
Tax											-	(1,337)
Profit/(loss) before minority interests											(34,469)	10,957
Minority interests											355	-
Net profit/(loss) from ordinary activities attributable to shareholders											(34,114)	10,957



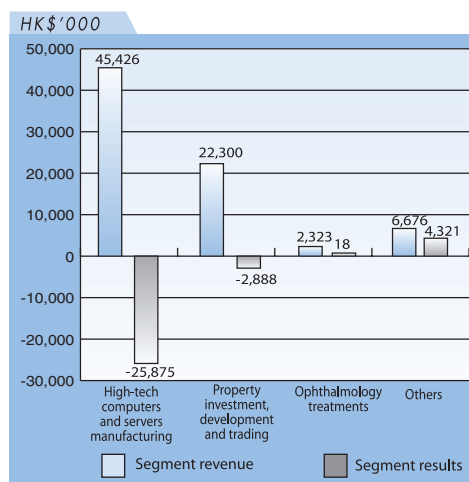
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Geographical segments:

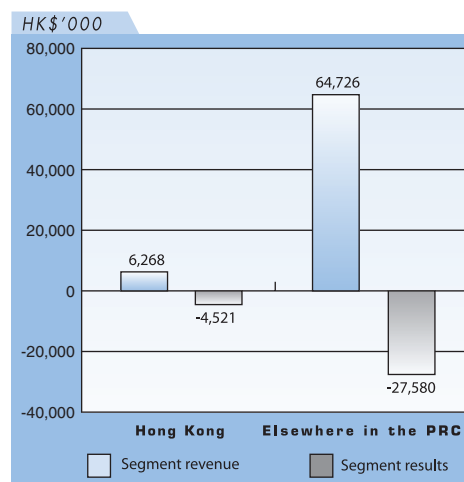
Six months ended 30 June
(Unaudited)

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	4,191	1,979	64,726	56,927	-	-	68,917	58,906
Intersegment sales	2,077	-	-	-	(2,077)	-	-	-
Total	6,268	1,979	64,726	56,927	(2,077)	-	68,917	58,906
Segment results	(4,521)	2,312	(27,580)	10,091	(2,077)	-	(34,178)	12,403

By Business Segments



By Geographical Segments



**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. Profit/(loss) from operating activities**

Profit/(loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June (Unaudited)	
	2002 HK\$'000	2001 HK\$'000
Cost of goods sold and services provided	57,654	34,095
Depreciation	2,585	946
Amortisation of goodwill	7,080	1,074
Provision for impairment of goodwill	-	5,000
Net unrealised holding gains less losses on short term listed equity investments	1,513	(1,974)
Provisions for impairment of property under development	800	-
Write back of provisions for impairment of completed properties held for sale	(1,840)	-
Write back of provisions for impairment of deposits paid for investment properties	(300)	-
Write back of provision against doubtful loan receivable	-	(2,230)
Bank interest income	(958)	(2,187)
Gross rental income	(3,380)	(2,395)
Less: outgoings	1,567	489
Net rental income	(1,813)	(1,906)
Exchange gains, net	(2)	(1)



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Tax

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (2001: nil). No provision for profits tax outside Hong Kong has been provided as the Group did not generate any assessable profits arising outside Hong Kong during the period. Taxes on profits assessable outside Hong Kong for the period ended 30 June 2001 were calculated at the rates of tax prevailing in the jurisdictions in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

A subsidiary of the Company operating in the PRC was exempted from income tax in the PRC on 1 September 1996 for three years and was thereafter entitled to 50% relief from income tax for the following three years under the Income Tax Law of the PRC.

	Six months ended 30 June (Unaudited)	
	2002 HK\$'000	2001 HK\$'000
Hong Kong	-	-
Elsewhere in the PRC	-	1,337
Tax charge for the period	-	1,337

5. Earnings/(loss) per share

The calculation of basic loss per share is based on the Group's net loss from ordinary activities attributable to shareholders for the period of HK\$34,114,000 (2001: net profit of HK\$10,957,000) and the weighted average of 6,376,617,628 (2001: 5,212,265,465) shares in issue during the period.

No diluted loss per share is shown for the six months ended 30 June 2002 as the effect of the Company's share options and convertible notes outstanding during the period was anti-dilutive. The calculation of diluted earnings per share for the six months ended 30 June 2001 was based on the net profit from ordinary activities attributable to shareholders for that period of HK\$10,957,000. The weighted average number of shares used in the calculation was 5,212,265,465 shares in issue during that period, as used in the basic earnings per share calculation; and the weighted average of 92,798,984 shares assumed to have been issued at no consideration in the deemed exercise of all share options and deemed conversion of all convertible notes during that period.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. Trade receivables**

The general credit terms range from one to three months, except for certain well established customers, where the terms are further extended to a maximum of one year. The aging analysis of trade receivables at the balance sheet date, based on invoice date, net of provisions, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one month	14,215	29,681
1 to 3 months	5,710	6,522
4 to 6 months	3,473	1,114
7 to 12 months	12,158	5,763
1 to 2 years	2,832	–
	38,388	43,080

7. Loan receivable

In 2001, the Group granted a total of loan facilities of HK\$70 million to an independent third party company incorporated in the British Virgin Islands (the "Borrower"). Pursuant to the loan agreements entered into between the Borrower and the Group, HK\$60 million was drawn down during the year ended 31 December 2001. Principal of HK\$2.5 million and loan interest were subsequently repaid in 2001. During the period ended 30 June 2002, a further sum of HK\$10 million was drawn down and quarterly interest payments were received from the Borrower. The loan receivable from the Borrower is secured by a legal charge over the equity shares of the Borrower. The loan bore interest at 10% per annum from the date of draw down to 31 December 2001 and the interest rate was subsequently revised to 7.375% per annum effective 1 January 2002 onwards. The principal of HK\$67.5 million is repayable in full on 31 December 2002.

The Board understands that the Borrower is engaged in strategic investments in both the PRC and Hong Kong, which do not currently provide a steady and positive recurring revenue stream to the Borrower. According to the latest financial information about the Borrower as at 30 June 2002 made available to the Board by the Borrower, a substantial portion of the Borrower's assets are non-current in nature and might not be readily turned into cash resources to meet its financial obligations as and when they fall due which include the repayment of the Group's loan advances of HK\$67.5 million as at the date of these unaudited condensed consolidated financial statements.

However, after taking into consideration that the Borrower has made timely settlement of interest during the period and subsequent to 30 June 2002, the Board considers that notwithstanding the fundamental uncertainty surrounding the recovery of the loan receivable of HK\$67.5 million as at 30 June 2002, no provision in respect thereof is required to be made in the preparation of these unaudited condensed consolidated financial statements. However, the Board will review the situation on an on-going basis and make provisions, if necessary, when deemed appropriate.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Trade payables

The aging analysis of trade payables at the balance sheet date, based on invoice date, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one month	9,963	5,254
1 to 3 months	8,418	991
4 to 6 months	931	12
7 to 12 months	8	314
1 to 2 years	168	–
	19,488	6,571

9. Convertible notes

The convertible notes were issued on 4 June 2001 to the vendors as partial consideration paid for the acquisition of the entire equity interests in Dawning Information Industry Company Limited. The non-interest bearing convertible notes with a maturity of 2 years are transferable under certain conditions and convertible wholly or partly into new ordinary shares of the Company at any time during the period commencing from 4 June 2001 and ending on the maturity date, at the conversion price of HK\$0.1945 per share (subject to adjustment). The convertible notes are non-redeemable, subject to certain circumstances. Any conversion rights not exercised shall lapse upon the expiry of the maturity date.

The conversion in full of the entire principal of the convertible notes will, under the then capital structure of the Company, result in the issue of 516,541,335 additional shares of the Company, representing approximately 8.4% of the enlarged issued share capital of the Company at the time of the issuance of the convertible notes.

The Board, after considering the terms and aspects of the convertible notes, considers that it is appropriate to classify the convertible notes as current liabilities as the convertible notes demonstrate characteristics of a liability until exercise of the conversion rights by the convertible note holders to convert any outstanding principal of the convertible notes into the Company's ordinary shares.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. Share capital**

	Carrying amount (Unaudited) HK\$'000	Number of ordinary shares of US\$0.025 each (Unaudited)
Authorised:		
At 1 January 2002 and 30 June 2002	1,948,000	10,000,000,000
Issued and fully paid:		
At 1 January 2002 and 30 June 2002	1,242,381	6,376,617,628

11. Contingent liabilities

- (a) In prior years, certain units of completed properties held for sale of the Group were pre-allocated to certain potential buyers (the "Buyers") and non-interest bearing refundable deposits were received upon such pre-allocation. These pre-allocated units were located in a prime residential building known as La Residence situated in 90-98 Zhenning Lu, Jing An District, Shanghai, the PRC ("La Residence"). The deposits received were refundable at the option of the Buyers prior to the completion of formal sale and purchase agreements and certain other registration procedures. On 22 December 1998, La Residence Development (Shanghai) Co., Ltd. ("La Residence Development"), a subsidiary of the Group engaged in the development of La Residence, entered into a sale and purchase agreement with a third party in which La Residence Development agreed to sell part of La Residence for a consideration of approximately HK\$23,679,000. The consideration was satisfied by the purchaser who agreed to take up the obligations of La Residence Development concerning the refund of deposits of an equivalent amount by La Residence Development. As at 30 June 2002, the Group remained contingently liable to the Buyers for any amount not refunded by the third party to the Buyers.
- (b) In 2001, the Group entered into a service agreement with an independent third party for the Group to provide management services in respect of a business related to ophthalmology treatment services (the "Management Business"). Pursuant to the agreement, the Group provided guarantee in respect of any devaluation or loss of the Management Business within the period of management services ending on 31 December 2002.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Capital commitments

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Contracted for	74,520	63,270
Authorised, but not contracted for	–	32,000
Capital contributions payable to jointly-controlled entities	9,426	9,426
	83,946	104,696

In addition, the Group's share of the jointly-controlled entities' own capital commitments which are not included in the above, were as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Contracted, but not provided for in respect of purchase of fixed assets	2,669	4,905

13. Significant post balance sheet event

On 15 July 2002, Kam Lik Investments Limited ("Kam Lik"), an independent third party, and China Vision Group Corporation ("China Vision Group"), a wholly-owned subsidiary of the Company, agreed upon a conditional business injection plan. Kam Lik and China Vision Group agreed to inject certain of their ophthalmology treatments businesses in the PRC to a newly formed company ("New Co") at a consideration of approximately HK\$58 million and HK\$57 million, respectively (the "Injection"). After the Injection, Kam Lik and China Vision Group will hold approximately 50.43% and 49.57% equity interests of New Co, respectively.

The completion of this transaction is conditional upon the finalisation of certain conditions set out in the plan and is expected to take place on or before 31 October 2002.

14. Approval of the interim financial report

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 16 September 2002.