

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed interim financial statements as of 30 June 2002 and for the six months period then ended comprise the consolidated balance sheet, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereto, all of which are in condensed format. The condensed interim financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties and investments securities. The condensed interim financial statements are prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

These condensed interim financial statements should be read in conjunction with the Group annual financial statements for the year ended 31 December 2001 ("2001 annual financial statements"). As mentioned in the note 1 of the 2001 annual financial statements, the financial statements have been prepared on a going concern basis.

The accounting policies and methods of computation used in the preparation of the condensed interim financial statements are consistent with those used in the 2001 annual financial statements except that the Group has presented its cash flow statement with effect from 1 January 2002 based on SSAP 15 (revised): "Cash Flow Statements" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2002. The comparative figures have been reclassified accordingly. In addition, the following SSAPs issued by the HKSA became 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 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAPs has no material effect on the Group's prior year financial statements.

2. Segment information

During the period, the Group has two main business segments namely property investment and system integration services. There are no sales or other transactions between the business segments. Information about these business segments is as follows:

For the six months ended 30 June 2002

	Property Investment (unaudited) HK\$'000	System integration services (unaudited) HK\$'000	Other operations (unaudited) HK\$'000	Group (unaudited) HK\$'000
Turnover	3,276	-	-	3,276
Segment results				
Impairment losses	(45,950)	-	-	(45,950)
Operating costs	(1,823)	(106)	(4)	(1,933)
Unallocated costs	-	-	(7,566)	(7,566)
Operating loss	(44,497)	(106)	(7,570)	(52,173)
Finance costs	(13,471)	-	(17,081)	(30,552)
Loss before taxation	(57,968)	(106)	(24,651)	(82,725)

For the six months ended 30 June 2001

	Property Investment (unaudited) HK\$'000	System integration services (unaudited) HK\$'000	Other operations (unaudited) HK\$'000	Group (unaudited) HK\$'000
Turnover	5,359	357	-	5,716
Segment results				
Loss on disposal of segment assets	(4,126)	-	-	(4,126)
Operating costs	(1,784)	(334)	-	(2,118)
Unallocated costs	-	-	(15,454)	(15,454)
Operating profit/(loss)	(551)	23	(15,454)	(15,982)
Finance costs	(14,674)	-	(1,123)	(15,797)
Profit/(Loss) before taxation	(15,225)	23	(16,577)	(31,779)

2. Segment information (continued)

Segment information by geographical location is not shown as overseas' operations account for less than 10% of the Group's turnover and trading results.

3. Depreciation

During the period, depreciation of HK\$400,000 (six months ended 30 June 2001: HK\$523,000) was charged in respect of the Group's property, plant and equipment.

4. Taxation

	Six months ended	
	30 June 2002 (unaudited) HK\$'000	30 June 2001 (unaudited) HK\$'000
Underprovision in respect of prior year	8	-

5. Dividends

The Directors have resolved not to declare any interim dividend in respect of the six months ended 30 June 2002 (six months ended 30 June 2001: Nil).

6. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$82,733,000 (six months ended 30 June 2001: HK\$31,215,000) and the weighted average of 29,596,637,763 (six months ended 30 June 2001: 28,914,137,763) ordinary shares in issue during the period.

No diluted loss per share was presented on the assumption that the Company's outstanding share options would not be exercised as their exercise prices were higher than the average market price of shares for both periods.

7. Additions to investment properties and property, plant and equipment

During the period, the Group spent approximately HK\$59,000 (six months ended 30 June 2001: HK\$217,000) on additions to property, plant and equipment. Investment properties with aggregate amount of HK\$55,000,000 was reclassified from fixed assets to properties held for resale.

8. Investment securities

The investment securities included the carrying value of HK\$110,000,000 (31 December 2001: HK\$110,000,000) for the investment in 70% of a hotel operation in People's Republic of China holding through various intermediate companies. The attributable interest of the Group in the hotel operation is approximately 40%. It has recently come to the notice of the Directors that an independent third party not connected with the Company or the Directors claim that it has been granted an option to acquire 60% interest in the said hotel operation. The Directors are currently conducting an enquiry into the matter in particular if any option has been granted by the above intermediate companies or the minority shareholder of the hotel operation and appropriate disclosure will be made to shareholders after completion of such enquiry.

9. Trade and other receivables

The group allows an average credit period of 30 days to its trade customers.

The following is aged analysis of trade receivables at the balance sheet date:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 HK\$'000
0 – 60 days	217	86
61 – 90 days	–	300
> 90 days	–	368
Total trade receivables	217	754
Other receivables	22,665	24,562
Deposits and prepayments	1,532	1,947
	24,414	27,263

10. Trade and other payables

The following is aged analysis of trade payable at the balance sheet date:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 HK\$'000
0 – 60 days	628	521
61 – 90 days	279	163
> 90 days	1,166	701
Total trade payable	2,073	1,385
Other payables and accruals	59,254	47,811
Rental deposits received	1,256	2,141
Due to directors	3,030	4,875
	65,613	56,212

11. Share capital

During the period, the Company issued and allotted a total of 1,365,000,000 shares at par for the partial settlement of the debentures amount (last reporting period: Nil).

12. Commitments

At the reporting date, the Group had outstanding commitments payable in the following year under non-cancellable operating leases in respect of:

	30 June 2002 (unaudited) HK\$'000	31 December 2001 HK\$'000
Land and building which expire:		
Within one year	216	1,816
In the second to fifth years inclusive	204	1,059
Over five years	-	-
	<u>420</u>	<u>2,875</u>

13. Pledge of assets

At 30 June 2002, the Group's properties with an aggregate book value approximately HK\$229,765,000 (31 December 2001: HK\$290,515,000) were mortgaged and pledged to the Group's bankers, finance company and loan creditors to secure banking and loan facilities granted to the Group to the extent of approximately HK\$273,125,000 (31 December 2001: HK\$288,091,000). Certain banking and loan facilities were granted to an independent party which in turn advanced the same amount to the Group. Certain loans were guaranteed by third parties and a director of the Company.

14. Post balance sheet event

The Group had concluded the tender sales of two properties during the period at an aggregate consideration of HK\$89,050,000. The two transactions were completed after the balance sheet date and the loss on disposal of the two properties totaled HK\$45,950,000 had been reflected in the current reporting period as impairment losses.

The Group had also concluded and completed the sales of two other properties after 30 June 2002 at an aggregate consideration of HK\$40,000,000 and the loss on disposal of HK\$18,215,000 would be reflected in the financial statements for the year ending 31 December 2002.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation of the current period.