NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the Board is included on page 14.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 30 June 2002 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2002 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 September 2002.

The same accounting policies adopted in the financial statements for the year ended 30 June 2002 have been applied to the interim financial report, except that the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA.

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

The adoption of these new and revised SSAPs has no material effect on the Group's interim financial report for both periods except for a change in the format of presentation and classification of the cash flow statement and the requirements to present a statement of changes in equity and certain information relating to the discontinuing operations. Comparative figures of the cash flow statement have been reclassified to conform with the current period presentation.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the annual financial statements for the year ended 30 June 2002.

2 Segmental information

Business segments

Business segment analysis is chosen as the primary reporting format as the Group's operating results during the current and previous interim periods were principally affected by the wireless technology investment and property investment activities.

	Six months ended 31 December					
	Wireless technology investment		Property investment		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	$'000	*$'000*	**$'000**	*$'000*	**$'000**	*$'000*
Revenue	**–**	–	**744**	11,954	**744**	11,954
Segment results	**(1,045)**	(11,060)	**(1,822)**	8,655	**(2,867)**	(2,405)
Interest income					**17,153**	30,783
Management fee income					**166**	–
Unallocated administrative expenses net of other income					**(11,962)**	(8,418)
Profit from operations					**2,490**	19,960
Loss on disposal of subsidiaries	**–**	–	**–**	(40,297)	**–**	(40,297)
Impairment losses on investments in securities	**–**	(18,467)	**–**	–	**–**	(18,467)
Taxation	**–**	–	**(202)**	(564)	**(202)**	(564)
Profit/(loss) attributable to shareholders					**2,288**	(39,368)

Subsequent to 31 December 2002, the Company announced that on 17 February 2003, the Board elected to exercise a put option (the "Put Option") (for details of the Put Option, please refer to note 8) to dispose of all the Group's unlisted equity and debt securities at an aggregate consideration of US$13,037,500 (equivalent to approximately $101,692,500), subject to approval by independent shareholders at an extraordinary general meeting to be held at a later stage. Details of the Put Option and carrying value of the investments have been stated in note 8 below.

The exercise of the Put Option represents a disposal of the entire assets of the Group's wireless technology investment segment, which constitutes a discontinuing operation. This segment did not generate any revenue (2001: $Nil) nor cash flow (2001: net cash outflow of $38,723,000) to the Group during the interim period.

Geographical segment

All property investment activities during the six months ended 31 December 2002 were carried out in The People's Republic of China (the "PRC"), whereas all property investment activities during the six months ended 31 December 2001 were carried out in Hong Kong. The segment results of the wireless technology investment segment represent operating costs incurred in Hong Kong during the current and prior financial periods.

3 Other revenue/other net income/(expense)

	Six months ended 31 December	
	2002	2001
	$'000	*$'000*
Other revenue		
Interest income	**17,153**	30,783
Management fee income	**166**	–
Sundry income	**83**	155
	17,402	30,938
Other net income/(expense)		
Net foreign exchange gain/(loss)	**276**	(622)

4 Profit from operations

Profit from operations is arrived at after charging:

	Six months ended 31 December	
	2002	2001
	$'000	*$'000*
Depreciation	**561**	616
Loss on disposal of fixed assets	**–**	433

5 Taxation

(a) Taxation in the consolidated income statement represents:

	Six months ended 31 December	
	2002	2001
	$'000	*$'000*
Hong Kong taxation	**–**	564
Overseas taxation	**202**	–
	202	564

Taxation in the consolidated income statement for the six months ended 31 December 2002 represents income tax payable by an overseas subsidiary in respect of rental income earned in the PRC, which is charged at the appropriate current rates of taxation ruling in the PRC. Taxation for the six months ended 31 December 2001 represents provision for Hong Kong profits tax, calculated at 16% of the estimated assessable profits for the period. The Group did not earn assessable profits subject to Hong Kong profits tax during the six months ended 31 December 2002.

(b) Taxation in the consolidated balance sheet represents provision of PRC income tax.

6 Earnings/(loss) per share

The calculation of earnings/(loss) per share is based on the profit attributable to shareholders of $2,288,000 (2001: loss of $39,368,000) and 3,051,438,765 shares (2001: 3,051,438,765 shares) in issue during the period. There were no dilutive potential ordinary shares in existence during the current and prior financial periods.

7 Investment properties

During the period ended 31 December 2002, the Group acquired a subsidiary which owns certain investment properties in the PRC. These investment properties were revaluated at 31 December 2002 by the Directors, who are not qualified valuers, using relevant market indices based on the professional valuations that were carried out in September 2002. Revaluation surpluses of $4,440,000 have been transferred to the investment property revaluation reserve.

The Group's total minimum lease rental income under non-cancellable operating leases is receivable as follows:

	At 31 December 2002 *$'000*	At 30 June 2002 *$'000*
Within 1 year	**1,950**	–
After 1 year but within 5 years	**832**	–
	2,782	–

8 Non-trading securities

	At 31 December 2002 *$'000*	At 30 June 2002 *$'000*
Unlisted equity securities	**99,734**	99,734
Unlisted debt securities	**1,950**	1,950
	101,684	101,684
Club debenture	**2,000**	2,000
	103,684	103,684

Unlisted equity and debt securities represent the Group's equity interests in five technology companies and convertible debt advanced to one of them. Pursuant to the terms of a put option agreement entered into between the Company and Investor Investment imGO Limited ("Investor imGO"), a former substantial shareholder of the Company, dated 3 May 2002, the Company has the right to dispose of all the technology investments held by the Group to Investor imGO for a consideration equal to the aggregate net book values of the investments of US$13,037,500. The Put Option may be exercised at any time from 14 September 2002 to 13 June 2003.

Included in the unlisted equity securities is the Group's interest in a technology company, China Greens Limited, which is incorporated in the Cayman Islands, in which the Group has a 50% interest in the issued preference shares thereof (being 27.6% of total issued share capital) at 31 December 2002. This investment has been accounted for as non-trading security rather than as an associate using the equity method of accounting, as the investment was acquired and held exclusively with a view to its subsequent disposal in the near future.

Valuation of the unlisted equity and debt securities is based on the higher of their aggregate fair values and the exercise price under the put option agreement.

Subsequent to 31 December 2002, the Company announced that it elected to exercise the Put Option to dispose of all the Group's unlisted equity and debt securities, subject to approval by independent shareholders at an extraordinary general meeting to be held at a later stage.

9 Debtors and prepayments

	At 31 December 2002	At 30 June 2002
	$'000	*$'000*
Interest receivable	**142**	2,293
Deposits, prepayments and other receivables	**3,343**	4,594
	3,485	6,887

Included in deposits, prepayments and other receivables are rental deposits of $2,343,657 (at 30 June 2002: $2,578,000) which are expected to be recovered after more than one year. Tenants are required to pay rental in advance and there was no rental receivable at the period end.

10 Creditors and accruals

	At 31 December 2002	At 30 June 2002
	$'000	*$'000*
Accrued expenses and other payables	**4,413**	2,523
Rental deposits and rental received in advance	**303**	–
Trade creditors	**–**	1,549
	4,716	4,072

All creditors and accruals are due within one month or on demand, and are expected to be settled within one year.

11 Deferred taxation

The balance represents deferred tax provision made by a subsidiary in respect of revaluation surpluses arising on investment properties as the disposal of these investment properties at their carrying value would result in gains which will be subject to tax liabilities in the PRC. These deferred tax provision and revaluation surpluses had been recorded in the subsidiary's financial statements before the Group acquired this subsidiary in September 2002.

12 Share capital

	No. of shares *'000*	**Amount** *$'000*
Authorised:		
Ordinary shares of $0.50 each, at 30 June 2002 and 31 December 2002	40,000,000	20,000,000
Issued and fully paid:		
At 30 June 2002 and 31 December 2002	3,051,439	1,525,720

The Company adopted a Share Option Scheme that was approved by the shareholders in 2001. A total of 55,500,000 options to subscribe for the Company shares at a subscription price of $0.75 each were granted. On 20 June 2002, an unconditional cash offer was made by Global Town Limited (name subsequently changed to New Nongkai Global Investments Limited) to all option holders to surrender and cancel their share options for a consideration of $0.07 for each option. All the option holders have accepted the cash offer and 50,600,000 options were cancelled before 30 June 2002 and the remaining 4,900,000 options were cancelled in July 2002.

13 Reserves

	Share premium *$'000*	**General reserve** *$'000*	**Accumulated losses** *$'000*	**Investment revaluation reserve** *$'000*	**Investment properties revaluation reserve** *$'000*	**Capital contribution reserve** *$'000*	**Total** *$'000*
At 1 July 2002	1,830,548	5,542	(1,025,326)	1,500	–	11,800	824,064
Revaluation surplus	–	–	–	–	4,440	–	4,440
Profit for the period	–	–	2,288	–	–	–	2,288
At 31 December 2002	1,830,548	5,542	(1,023,038)	1,500	4,440	11,800	830,792

14 Commitments

The Group had no capital commitments outstanding at 31 December 2002.

At 31 December 2002, the total future minimum lease payments under non-cancellable operating leases in respect of the Group's office accommodation are payable as follows:

	At 31 December 2002 $'000	At 30 June 2002 $'000
Within 1 year	**5,899**	7,042
After 1 year but within 5 years	**9,500**	13,373
	15,399	20,415

15 Material related party transactions

During the six months ended 31 December 2002, a subsidiary of the Group entered into a sub-tenancy agreement and a management agreement with an affiliated company, which and the Group are under common control, to sub-lease part of its office to this affiliated company and to provide management services in relation to human resources, administration and secretarial work. The rental income and management fee receivable from the affiliated company, which are calculated on a cost basis pursuant to the sub-tenancy and management agreements, during the period amounted to $241,000 and $166,000 respectively. The balance due from this affiliated company amounted to $41,000 as at 31 December 2002.

16 Post balance sheet events

(i) Subsequent to 31 December 2002, a subsidiary of the Group entered into a conditional sale and purchase agreement with a third party to acquire the entire issued share capital of Hip Yick Profits Limited ("Hip Yick") and the entire shareholder's loan to Hip Yick for an aggregate consideration of RMB400,000,000. The transaction is conditional upon satisfaction of certain conditions. If the audited net asset value of Hip Yick as at the last date of the calendar month preceding the completion date is less than RMB400,000,000, the consideration payable by the Group will be deducted by an amount equal to the shortfall. Hip Yick is an investment holding company whose sole asset is investment in a wholly-owned PRC subsidiary which operates a hotel in the PRC.

(ii) Subsequent to 31 December 2002, a subsidiary of the Group entered into a sale and purchase agreement with a third party to acquire the entire issued share capital of Eastar Development Limited ("Eastar") and the entire shareholder's loan to Eastar for an aggregate consideration of RMB350,000,000. Eastar is an investment holding company whose major asset is investment in a wholly-owned PRC subsidiary which owns a parcel of land in the PRC.

(iii) Subsequent to 31 December 2002, the Company announced that the Board elected to exercise the Put Option to dispose of all the Group's unlisted equity and debt securities relating to the wireless technology investment subject to approval by independent shareholders at an extraordinary general meeting to be held at a later stage. Further details are disclosed in notes 2 and 8.