NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the Six Months Ended 30 June 2002

1. Basis of preparation

The condensed financial statements have been prepared under the historical cost convention and in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. Principal accounting policies

In the current period, 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 34	Employee benefits

The new and revised standards have introduced revised disclosure requirements which have been adopted in the condensed financial statements. Comparative amounts for prior period have been restated in order to achieve a consistent presentation. The adoption of the above standards has had no significant effect on the results for the current or prior accounting periods.

Other accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2001.

3. Segment information

(a) Business segments

	Continuing operations						Discontinued operations								Consolidated	
	Property development		Investment holdings		Sub-total		Toll bridge		General trading		Skiing resort		Sub-total			
	2002	2001	**2002**	2001	**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*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:																
Sales to external customers	**598**	19,109	**8**	–	**606**	19,109	**1,653**	2,515	**1,304**	2,113	**-**	65	**2,957**	4,693	**3,563**	23,802
Segment results	**(1,643)**	(180)	**(13,830)**	(10,380)	**(15,473)**	(10,560)	**(673)**	394	**(105)**	(485)	**(3,474)**	(2,941)	**(4,252)**	(3,032)	**(19,725)**	(13,592)
Unallocated expenses															**(1,886)**	(2,597)
Loss from operating activities															**(21,611)**	(16,189)

(b) Geographical segments

	Hong Kong		Mainland China		United States of America		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	**8**	–	**3,555**	23,802	**-**	–	**3,563**	23,802
Segment results	**(13,833)**	(10,829)	**(5,701)**	(2,458)	**(191)**	(305)	**(19,725)**	(13,592)
Unallocated expenses							**(1,886)**	(2,597)
Loss from operating activities							**(21,611)**	(16,189)

4. Loss from operating activities

Loss from operating activities has been arrived at after charging:

	Six months ended	
	30.6.2002	30.6.2001
	HK$'000	*HK$'000*
Amortization of goodwill arising on acquisition of associates	**1,886**	2,597
Depreciation of fixed assets	**5,251**	3,962

5. Finance costs

	Six months ended	
	30.6.2002	30.6.2001
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**5,028**	4,049

6. Taxation

	Six months ended	
	30.6.2002	30.6.2001
	HK$'000	*HK$'000*
Group:		
Mainland China	**–**	37
United States of America	**–**	3,163
Associates:		
Mainland China	**–**	–
	–	3,200

6. Taxation *(Continued)*

No provision for Hong Kong profits tax has been made for the period as the Group did not generate any assessable profits arising in Hong Kong during the period (2001: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for tax is required for the Group's jointly-controlled entity and associates as no assessable profits were earned by the jointly-controlled entity and associates during the period (2001: Nil).

7. Dividend

The Directors of the Company do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2002 (2001: Nil).

8. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK$26,996,000 (2001: HK$29,485,000) and on the weighted average of 2,345,421,553 (2001: 1,529,902,107) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 June 2001 has not been shown as the warrants outstanding during 2001 (lapsed on 31 August 2001) had an anti-dilutive effect on the basic loss per share.

9. Movements in fixed assets and properties under development

The Group spent approximately HK$1,307,000 and HK$8,584,000 on acquisition of fixed assets and properties under development, respectively.

10. Interests in associates

	30.6.2002	31.12.2001
	HK$'000	*HK$'000*
Share of net liabilities	**(3,666)**	(3,225)
Goodwill on acquisition	**119,789**	108,277
Due from associates	**2,233**	595
	118,356	105,647
Provisions for impairment	**(46,612)**	(46,612)
Provision for an amount due from an associate	**(178)**	(178)
	71,566	58,857

Due to the unavailability of the financial information of Lawsons Infotech (Holdings) Corporation and Well Known Technology Limited, the Group has not accounted for any changes in its interests in these associates since their acquisitions (in 2001) using the equity method.

The balances with associates are unsecured, interest-free and have no fixed terms of repayment.

11. Debtors, deposits and prepayments

Included in the balance is an amount of HK$523,000 (31.12.2001: HK$954,000) representing the trade debtors of the Group. The aged analysis of such debtors is as follows:

	30.6.2002	31.12.2001
	HK$'000	*HK$'000*
Within 3 months	**294**	950
More than 3 months and less than 6 months	**34**	4
More than 6 months and less than 1 year	**195**	–
	523	954

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to two to three months. Credit limits were set for customers.

12. Amount due from a shareholder

Amount due from a shareholder is unsecured, interest-free and has no fixed terms of repayment.

13. Creditors, accruals and other payables

Included in the balance is an amount of HK$12,905,000 (31.12.2001: HK$14,155,000) representing the trade creditors of the Group. The aged analysis of such creditors is as follows:

	30.6.2002	31.12.2001
	HK$'000	*HK$'000*
Within 3 months	**–**	832
More than 1 year	**12,905**	13,323
	12,905	14,155

14. Bank and other loans

The Group repaid bank and others loans of HK$3,990,000 and obtained new other loans of HK$2,189,000 during the current period.

15. Share capital

	Ordinary shares of HK$0.1 each	
	Number of shares	*HK$'000*
Authorised:		
At 1 January 2002 and 30 June 2002	4,000,000,000	400,000
Issued and fully paid:		
At 1 January 2002	2,189,410,504	218,941
Allotment of new shares for acquisition of additional 10% issued capital of an associate	231,000,000	23,100
Allotment of new shares upon share placement	100,000,000	10,000
At 30 June 2002	2,520,410,504	252,041

16. Contingent liabilities

	30.6.2002	31.12.2001
	HK$'000	*HK$'000*
Guarantees given to banks in respect of mortgage loans made to purchasers of the Group's properties under development	**61,268**	61,268

In addition to the above contingent liabilities, the current directors noted that a judgement was made by a court in Mainland China (the "Court") on 22 March 2000 against the Company and Dynamic Global Development Limited ("DGDL"), a wholly-owned subsidiary of the Group, in relation to a claim of RMB11.6 million (approximately HK$10.9 million) made by a former landlord of the Group in respect of an alleged breach of a tenancy agreement (the "Tenancy Agreement") signed by Heilongjiang Fairyoung Real Estate Development Co., Ltd. ("HLJ Real Estate"), a former subsidiary of DGDL, in 1994 (the "Judgement"). HLJ Real Estate was disposed of by the Group in 1997.

The directors consider that the Group has valid defences against the claim as neither the Company, nor DGDL were parties to the Tenancy Agreement and, therefore, the directors intend to make an appeal against the claim. However, as stated in the Judgement, an appeal should be made within 15 days from the date of Judgement which has already lapsed. The directors are currently seeking legal opinion in respect of the legal procedures to re-open the case for the intended appeal. No provision has been made in respect of this Judgement claim at the current time.

On 30 March 2001, an order was made by the Court that DGDL's existing 100% interest in a wholly-owned subsidiary, Heilongjiang Industry Co., Ltd. ("HLJ Industry"), be frozen as security for the repayment of the claim and this restriction has been imposed upon the Group thereby affecting the intended disposal of its interest in HLJ Industry as stated below.

HLJ Industry is principally engaged in the Skiing Operations, which operations have been suspended since early 2002.

On 4 September 2002, the Group entered into a conditional agreement with an independent third party purchaser to dispose of the Skiing Operations, comprising mainly land and buildings and related equipment of the skiing resort, for a consideration of RMB56 million (approximately HK$52.7 million) (the "Disposal"). Pursuant to the terms of the Disposal agreement, a fee of RMB2.5 million (approximately HK$2.4 million) is required to be paid by the Group and the purchaser, respectively, in an attempt to apply to the Court for the release of the frozen capital of HLJ Industry. To date, both the Group and the purchaser have not paid the required fee and, accordingly, the Disposal had not completed up to the approval date of these financial statements.

17. Capital commitments

	30.6.2002 *HK$'000*	31.12.2001 *HK$'000*
Fixed assets and contraction in progress:		
Authorized, but not contracted for	**29,576**	30,002
Properties under development:		
Authorized and contracted for	**16,248**	22,777
Authorized, but not contracted for	**131,646**	131,646
	147,894	154,423
Others:		
Authorized and contracted for	**142,770**	151,118
Total	**320,240**	335,543

18. Post balance sheet event

(a) On 12 December 2002, the Company entered into a share transfer agreement (the "Transfer Agreement") with an independent third party for the disposal of certain subsidiaries in Mainland China for a cash consideration of RMB4 (the "Disposal Transaction"), further details of which were set out in a circular of the Company dated 28 January 2003. The Disposal Transaction was completed on 6 March 2003.

(b) On 9 May 2003, a wholly owned subsidiary of the Company entered into three identical agreements to purchase the entire issued share capital of Easy Carry Trading Limited ("Easy Carry"), Turbo Jet Development Limited ("Turbo Jet") and Profit Guard International Limited ("Profit Guard") for considerations of HK$11,700,000, HK$15,600,000 and HK$11,700,000 respectively, which equal to a total consideration of HK$39,000,000. Further details of this transaction were set out in a circular of the Company dated 27 May 2003. On 9 June 2003, the consideration was satisfied by the allotment and issue of 390,000,000 new ordinary shares of the Company at par value of HK$0.10 each.

Easy Carry, Turbo Jet and Profit Guard are investment holding companies. The sole assets of Easy Cary, Turbo Jet and Profit Guard are investment holding of 30%, 40% and 30% respectively of the issued share capital (together the entire issued share capital) of 南漳水鏡湖度假村酒店有限責任公司 ("Nan Zhang"), a PRC wholly foreign owned enterprise located in the Hubei Province, the People's Republic of China ("PRC"). Nan Zhang's principal business activity is the operation of resort hotel and its related facilities in the city of Xiang Fan, Hubei Province, PRC.