

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The condensed financial statements have been prepared under the historical cost convention.

The condensed financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 December 2002.

2. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

2. SEGMENT INFORMATION *(Continued)*

The Group's operating businesses are structured and managed separately, according to the nature of their operation and the products and services they provide. Each of the Group's business segment represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of business segments are as follows:

	Turnover		Contribution to loss from operating activities	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business Segments:				
Information technology	15,619	43,674	(984)	(2,108)
Property development and investment	-	3,650	-	(7,966)
Investment holding and others	-	242	(5,157)	(9,946)
	15,619	47,566	(6,141)	(20,020)
Geographical Segments:				
Hong Kong	-	3,892	(5,157)	(7,000)
The People's Republic of China (the "PRC")	15,619	43,674	(984)	(13,020)
	15,619	47,566	(6,141)	(20,020)

There are no inter-segment sales and transfer between the business segments.

3. LOSS FROM OPERATING ACTIVITIES

Loss from operating activities for the period has been arrived at after charging the depreciation of approximately HK\$295,000 (2002: HK\$1,248,000).

4. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2002: Nil).

According to the Income Tax Law of the PRC, certain subsidiaries of the Company established in Nanjiang and Chongqing, the PRC are subject to preferential corporate income tax rate of 33% and exempt from PRC corporate income tax for the first two profitable years of its operations, and thereafter, is eligible for 50% relief from PRC corporate income tax for the following three years. As the subsidiaries have suffered from losses since its establishment, corporate income tax has not been provided for during the period (2002: Nil).

No provision for deferred tax has been made as the Group did not have any significant unprovided tax liabilities in respect of the period.

5. EARNING/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share is based on the net profit attributable to shareholders for the period of approximately HK\$903,000 (2002: net loss of HK\$100,497,000) and on the weighted average number of 3,392,751,091 ordinary shares (2002: 364,721,424) in issue during the period.

Diluted earning/(loss) per share has not been shown as there is no dilution effect for both periods.

6. INTEREST IN AN ASSOCIATE

At 30 March 2003, the Group entered into a joint venture agreement ("JV Agreement") with an independent third party to establish a sino-foreign equity joint venture in the PRC ("JV Company") which will principally engage in the production, research and development, marketing and sales of sedans and related accessories as well as the provision of related after-sales services in the PRC. Pursuant to the JV Agreement, the Company has invested a sum of USD6,091,000 (equivalent to approximately HK\$47,511,000) in cash as capital contribution to the JV Company. The transaction completed and the JV Agreement became unconditional on 27 May 2003.

The registered capital of the JV Company is approximately USD13,012,000 (equivalent to approximately HK\$101,496,000) and the Company is indirectly interested in approximately 46.8% of the registered capital of the JV Company. The JV Company is treated as an associated company and the Group's interest in the JV Company has been equity accounted for in the financial statements.

7. INVENTORIES

	Unaudited	Audited
	30 June	31 December
	2003	2002
	HK\$'000	HK\$'000
Raw materials	1,431	2,097
Work-in-progress	7,200	5,119
	8,631	7,216

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of approximately HK\$3,596,000 (31 December 2002: HK\$3,851,000).

The following is an aged analysis of trade receivables at 30 June 2003:

	Unaudited	Audited
	30 June	31 December
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	1,705	1,246
61 – 90 days	–	63
Over 90 days	2,067	2,542
	3,772	3,851
<i>Less: Provisions for bad debts</i>	(176)	–
	3,596	3,851

Sales of software and hardware and the provision of system integration services are largely on credit except for new customers. Trade deposits are normally required. The credit terms of trade debtors are defined in the respective sales agreements, usually from cash before delivery to 90 days after delivery.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$3,047,000 (31 December 2002: HK\$1,481,000).

The following is an aged analysis of trade payables at 30 June 2003:

	Unaudited	Audited
	30 June	31 December
	2003	2002
	HK\$'000	HK\$'000
0 – 60 days	1,832	775
61 – 90 days	524	39
Over 90 days	691	667
	3,047	1,481

10. SHARE CAPITAL

	Number of Shares	Amount
		<i>HK\$'000</i>
Ordinary Shares of HK\$0.02 each		
Issued and fully paid:		
At 1 January 2003	3,340,264,902	66,805
Issue of Placement Shares	100,000,000	2,000
	3,440,264,902	68,805

Pursuant to a conditional placing agreement entered into between the Company and an independent placing agent on 18 March 2003 (the "Placement"), the Company issued 100,000,000 new shares of HK\$0.02 each at a placing price of HK\$0.55 per Placement share to certain independent third parties. The net proceeds from the Placement was approximately HK\$53,421,000, out of which approximately HK\$47,511,000 was used to satisfy the investment in an associate and the remaining balance was used and will be used as the general working capital for the Group.