

Notes:

1. Accounting Policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 “Interim Financial Reporting” (“SSAP 25”) issued by the Hong Kong Society of Accountants and 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 accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are the same as those used in the audited financial statements for the year ended 31 December 2002, except for the adoption of the Statement of Standard Accounting Practice 12 (Revised) “Income Taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Nevertheless, the adoption of SSAP 12 (Revised) has not resulted in any significant changes to the prior period’s net assets and results and accordingly, no prior period adjustment is required.

Certain comparative figures have been restated to confirm with current period’s presentation.

2. Segment Information

(a) Business segments

The following tables present revenue and profit/(loss) for the Group's business segments.

	Property investment and development		Trading of computer products		Securities broking and investment		Financial services		Information technology		Corporate and others		Elimination		Consolidation	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue:																
Sales to external customers	8,482	20,530	89,545	109,761	-	1,747	5,883	2,355	20	398	-	-	-	-	103,930	134,791
Intersegment sales	1,068	1,164	-	-	-	-	5,345	2,931	2	4	-	-	(6,415)	(4,099)	-	-
Other revenue	598	655	192	91	-	115	2	2	-	-	-	1	-	-	792	864
Total	10,148	22,349	89,737	109,852	-	1,862	11,230	5,288	22	402	-	1	(6,415)	(4,099)	104,722	135,655
Segment result	1,165	13,733	(52)	2,882	-	(289)	6,765	3,052	(94)	(358)	-	(9)	(6,415)	(4,099)	522	14,912
Interest income and unallocated gains															1,332	4,010
Unallocated expenses															(2,054)	(2,174)
(Loss)/profit from operating activities															(200)	16,748
Finance costs															(4,534)	(1,321)
Share of profits and losses of associates, after amortisation of goodwill															(6,564)	(6,810)
(Loss)/profit before tax															(11,298)	8,617
Tax															(934)	-
(Loss)/profit before minority interests															(12,232)	8,617
Minority interests															168	(1,383)
Net (loss)/profit from ordinary activities attributable to shareholders															(12,064)	7,234

(b) *Geographical segments*

The following tables present revenue and (loss)/profit for the Group's geographical segments.

	PRC									
	Hong Kong		Mainland China		Malaysia		Elimination		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
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	96,549	110,034	390	5,223	6,991	19,534	-	-	103,930	134,791
Segment results	409	356	(916)	2,175	1,029	12,381	-	-	522	14,912

3. (Loss)/profit from operating activities

The Group's (loss)/profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Cost of inventories sold	88,123	105,193
Depreciation	1,783	1,797
Amortisation of goodwill of subsidiaries	1,971	2,008
Amortisation of trading right	-	171
Negative goodwill recognised as income during the period	(344)	(344)
Unrealised profit on short term listed investment	-	(9)
Bank interest income	(23)	(38)

4. Tax

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Tax charge for the period	934	–

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits arising from Hong Kong for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

5. (Loss)/earnings per share

The calculation of basic (loss)/profit per share is based on the net loss attributable to shareholders for the period of HK\$12,064,000 (2002: net profit of HK\$7,234,000) and on the weighted average of 2,561,167,000 (2002: 2,125,969,000) shares in issue during the period.

Diluted loss per share for the period has not been calculated as there was no dilutive potential ordinary shares in the period.

The calculation of diluted earnings per share for the period ended 30 June 2002 was based on the net profit attributable to shareholders of HK\$7,234,000. The weighted average number of ordinary shares used in the calculation was the 2,160,580,000 ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average of 34,611,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that period.

6. Interim Dividend

The Board of Directors resolved that no interim dividend was declared for the period ended 30 June 2003 (2002: Nil).

7. Trade Receivables

The ageing analysis of trade receivables is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Current	2,470	17,204
1-3 months	9,868	4,767
4-6 months	1,056	142
7-12 months	1	221
Over 1 year	3,734	3,807
	17,129	26,141
Provision	(3,734)	(3,734)
	13,395	22,407

Invoices are normally payable within 30 days of issuance. The Group seeks to maintain strict control over its outstanding receivables; overdue balances are regularly reviewed by senior management.

8. Trade and Bills Payables

The ageing analysis of trade payables is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Current	12,353	21,853
1-3 months	11,512	10,879
4-6 months	-	-
7-12 months	-	-
	23,865	32,732

9. Share Capital

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Authorised:		
4,000,000,000 ordinary shares of HK\$0.10 each	400,000	400,000
Issued and fully paid:		
2,561,166,921 (31 December 2002: 2,561,166,921) ordinary shares of HK\$0.10 each	256,116	256,116

There was no changes in the share capital of the Company for the six months ended 30 June 2003.

The Company operates a new share option scheme (the "New Scheme"), further details of which are also set out under the heading "New share option scheme" on page 15.

10. Related Party Transactions

The Group had the following material transactions with related parties during the period:

	<i>Notes</i>	For the Six months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Proceeds received from Kong Fa for subscription of shares	(i)	–	65,664
Administrative fees received from Equal Gain Sdn. Bhd. (“Equal Gain”) in which Kong Sun Enterprise Sdn. Bhd., a substantial shareholder of the Company, has a controlling equity interest	(ii)	189	247
Rental receivable from an associate, Koffman Securities Limited (“KSL”)	(iii)	500	–

Notes:

- (i) On 4 February 2002, Kong Fa placed 100,000,000 shares to the Beijing Enterprises at a price of HK\$0.32 per share. In return, the Company issued and allotted 300,000,000 shares at the same price to Kong Fa. The placing and subscription was completed on 29 May 2002.
- (ii) This related to management services provided by the Group to Equal Gain. The management fees was charged based on the costs incurred by the Group plus a mark-up.
- (iii) The rental income related to the lease of an investment property to KSL. The rental was charged at a monthly rent of HK\$83,400.

11. Contingent Liabilities

As at 30 June 2003, the Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$314,000 (as at 31 December 2002: HK\$270,000). The contingent liability has arisen because, as at 30 June 2003, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

As at 30 June 2003, the Company had contingent liabilities in respect of guarantees amounting to HK\$36,800,000 (as at 31 December 2002: HK\$36,800,000) given to a bank for the general banking facilities granted to a subsidiary of the Company.

12. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within one year	9,449	5,968
In the second to fifth years, inclusive	<u>3,073</u>	<u>3,409</u>
	<u>12,522</u>	<u>9,377</u>

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 30 June 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within one year	284	1,232
In the second to fifth years, inclusive	–	110
	284	1,342

13. Commitments

As at 30 June 2003, in addition to the operating lease commitments detailed in note 12(b) above, the Group had contracted capital commitments amounting to HK\$3,910,000 (as at 31 December 2002: HK\$3,910,000).

As at 30 June 2003, the Company had no material contracted capital commitments (as at 31 December 2002: Nil).

14. Pledge of Assets

At 30 June 2003, the following assets of the Group were pledged to secure the Group's credit facilities:

- (a) The Group's bank deposits approximately HK\$4,544,000 (as at 31 December 2002: HK\$4,522,000) were pledged to a bank to secure banking facilities.
- (b) The Group's has pledged its land and buildings and investment properties situated in Hong Kong and the PRC in an aggregate carrying value of approximately HK\$69,772,000 (as at 31 December 2002: HK\$70,136,000) to secure its general banking facilities.
- (c) The Group's investment properties situated in Malaysia which had an aggregate carrying value of approximately HK\$149,760,000 (as at 31 December 2002: HK\$149,760,000) had pledged to secure other borrowings.

15. Approval of the Interim Financial Statements

These condensed interim financial statements were approved by the Board on 18 September 2003.