
Notes to the Accounts:

1. Accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties. They have been prepared in accordance with Statement of Standard Accounting Practice 25 (SSAP 25) Interim Reporting except that no comparative figures have been presented for the condensed cash flow statement as permitted by the Hong Kong Stock Exchange Listing Rules. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December 2000, except as described below.

During 2001, the Company changed its accounting policy with respect to the accounting treatment for dividends declared after the balance sheet date. To conform to the treatment in the revised HKSSAP 9 "subsequent event", the Company now discloses dividends declared after the balance sheet date as a subsequent event rather than recognizing those dividends as a liability at the balance sheet date. This change in accounting policy has been accounted for retrospectively. The comparative consolidated financial statements have been restated to conform to the new policy. The effect of the change is an increase in unappropriated profit and reserves as of 1st January, 2000 and 1st January, 2001 of approximately HK\$17,000,000 and HK\$12,000,000.

2. Turnover

	For the six months ended 30th June,	
	2001	2000
Sale and pre-sale of properties held or under development	223,815	193,760
Sale in relation to supply and installation of broadband optical fibre	30,636	8,681
Rental income from investment properties	683	844
	255,134	203,285
Less: Business tax and surtaxes (<i>Note (i)</i>)	(11,596)	(10,196)
Add: Financial refund (<i>Note (iii)</i>)	3,840	1,868
Net	247,378	194,957

Note (i) The Group is subject to business tax ("BT") at 5% on the revenue from the sale/pre-sale of properties and rental income.

In addition to BT, some subsidiaries are subject to the following surtaxes:

- City development tax, a tax levied at 7% of BT or Value-Added Tax ("VAT");
- Education supplementary tax, a tax levied at 3% of BT or VAT.

Note (iii) Based on documents issued by the local authorities, Cosco-Xin Dong, Trans Ocean Construction and Well Real Estate are entitled to a tax refund equal to 30%, 30% and 35% of BT paid respectively. Cosco-Xin Dong enjoyed such tax refund till August 2000 while no specific expiry date has been mentioned for the tax refund being enjoyed by Trans Ocean Construction and Well Real Estate. Based on Circular Guofa (2000)2 issued in January 2000, the above financial refund would require approval from the State authority. Otherwise, it may cease to be available to the companies effective January 1, 2000. As these companies have not received relevant approvals for such refunds, they are recognized on a cash basis.

3. Share of net losses of associates

Share of net losses of associates mainly arose from the amortization of goodwill relating to Shanghai Orda Opto-electronics Science and Technology Co. Limited, which amounted to HK\$164,000 and net loss of Shanghai Trans-Ocean Property Management Co. Limited amounting to HK\$138,000.

4. Taxation

For the six months ended 30th June,	
	2001
Current	28
Deferred taxation	17,501
	17,529

The Group conducts a significant portion of its business in the PRC and the applicable enterprise income tax ("EIT") rate of its subsidiaries operating in the PRC is generally 33% other than Housing Technology, a sino-foreign equity joint venture, which is engaged in manufacturing and thus entitled to full exemption from EIT for the first two years and a 50% reduction in EIT for the next three years commencing from the first profitable year of operation after offsetting all tax losses carried from previous years (at most five years). 2000 and 2001 were the first and second profitable year of operation for Housing Technology and it was thus not subject to EIT.

5. Dividend

The Board had resolved not to declare an interim dividend for the six months ended 30th June, 2001 (2000: Nil).

6. Earning Per Share

The calculation of earnings per share was based on the consolidated net profit of HK\$33,428,000 (2000: HK\$26,083,000) and the weighted average number of 1,000,000,000 shares (2000: 1,000,000,000 shares) in issue during the period.

The calculation of diluted earnings per share was based on the consolidated net profit of HK\$33,428,000 (2000: HK\$26,083,000) and the diluted weighted average number of approximately 1,011,228,800 shares (2000: approximately 1,005,200,000 shares) in issue during the period. Earnings per share was calculated after taking into account the outstanding share options as of 30th June, 2001. The effect the dilutive potential ordinary shares resulting from the outstanding share options on the weighted average number of shares in issue during the period was approximately 11,228,800 shares (2000: 5,200,000 shares), which were deemed to be issued at no consideration as if all outstanding share options have been exercised on the date the options were granted.

7. Accounts Receivable

Ageing analyses of accounts receivable as of 30th June, 2001 and 31st December, 2000 are as follows:

	2001	2000
Ageing		
– not exceeding one year	75,271	48,254
– more than one year but not exceeding two years	1,577	1,576
	76,848	49,830
Less: Provision for bad and doubtful debt	(15)	(15)
	76,833	49,815

8. Trading Securities

Group and Company

	2001	2000
Cost of equity securities	6,083	611
Unrealized profit/(loss)	542	(15)
Listed in Hong Kong and PRC, equity securities at carrying value	6,625	596
Quoted market value of listed investments	6,625	596

9. Account Payable

The age of the Group's accounts payable are all less than one year.

10. Related Party Transactions

As of 30th June, 2001, the amount due from a related company arose from expenses paid by the Group on behalf of an associate, and the amount due to a related company arose as funds were placed by an associate with the Group for the purchase of inventory. The amounts due from and to associates are unsecured, interest-free and will be settled shortly.

11. Short-Term Bank Loans

As of 30th June, 2001, all short-term bank loans were denominated in RMB, were unsecured and due with one year.

12. Reserves

Group

	2001						Total
	Share premium	Property revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	Retained earnings	Exchange translation reserve	
Beginning of period (Audited)	266,628	7,562	13,382	6,172	114,214	234	408,192
Dividend for year 2000					(12,000)		(12,000)
Net profit for the period	-	-	-	-	33,428	-	33,428
Translation differences	-	-	-	-	-	396	396
bal.@30/6/2001 (Unaudited)	266,628	7,562	13,382	6,172	135,642	630	430,016

	2000						Total
	Share premium	Property revaluation reserve	Statutory surplus reserve	Statutory public welfare fund	Retained earnings	Exchange translation reserve	
Beginning of period (Audited)	266,628	9,817	9,961	4,974	78,055	(1,169)	368,266
Dividend for year 1999					(17,000)		(17,000)
Net profit for the period	-	-	-	-	26,083	-	26,083
Translation differences	-	-	-	-	-	(592)	(592)
Bal.@30/6/2000 (Unaudited)	266,628	9,817	9,961	4,974	87,138	(1,761)	376,757

13. Note To Consolidated Statement of Cash Flows

Reconciliation of profit before taxation to net cash flows from operating activities:

	For the six months ended 30th June 2001
Profit before taxation	52,573
Adjustments for:	
Interest income	(327)
Interest expense	1,897
Subsidy	—
Loss on disposal of trading securities	16
Unrealised gain on trading securities	(542)
Share of loss from associates	302
Depreciation of property, plant and equipment	726
Increase in accounts receivable	(27,018)
Decrease in other receivables	4,977
Decrease in prepayments and other current assets	23,513
Increase in properties held or under development for sale	(102,294)
Decrease in accounts payable	(19,956)
Decrease in other payables and accruals	(7,791)
Increase in taxes payable	8,973
Decrease in long-term payables	(4,718)
Net cash outflow from operating activities	(69,669)

14. Segment Information

The group conducts the majority of its business activities in the PRC. Its operations are classified under three principal business segments: property development, property leasing and the development and sale of hi-tech products. There are no significant inter-segment transactions and an analysis of revenue, results, assets and liabilities by business segments is as follows:

For the six months ended 30th June 2001					
	Property development	Property leasing	High-tech	Unallocated	Total
	(HK\$000')				
Revenue					
To external customers	216,314	642	30,422	–	247,378
Results					
Segment result	53,593	(10)	5,831	–	59,414
Corporate expense	–	–	–	(5,495)	(5,495)
Operating profit (loss)	53,593	(10)	5,831	(5,495)	53,919
Interest expense	–	–	–	(1,897)	(1,897)
Interest income	–	–	–	327	327
Share of net loss of associates	(164)	(138)	–	–	(302)
Gain on trading securities	–	–	–	526	526
Income tax expense	(17,529)	–	–	–	(17,529)
Minority interest	(1,411)	6	(211)	–	(1,616)
Net profit (loss)	34,489	(142)	5,620	(6,539)	33,428

For the six months ended 30th June 2000

	Property development	Property leasing	High-tech	Unallocated	Total
					(HK\$000')
Revenue					
To external customers	185,676	798	8,483	–	194,957
Results					
Segment result	43,238	(82)	3,163	–	46,319
Corporate expense	–	–	–	(5,175)	(5,175)
Operating profit (loss)	43,238	(82)	3,163	(5,175)	41,144
Interest expense	–	–	–	(227)	(227)
Interest income	–	–	–	1,470	1,470
Share of net loss of associates	–	(263)	–	–	(263)
Income tax expense	(14,713)	–	–	–	(14,713)
Minority interest	(1,250)	243	(321)	–	(1,328)
Net profit (loss)	27,275	(102)	2,842	(3,932)	26,083

15. Contingent Liabilities

In respect of certain of the Group's properties for sale, Cosco-Xin Dong, Well Real Estate, Trans Ocean Construction and Tranceocean Development assisted buyers in obtaining mortgage loans from banks. These companies are obliged to assist buyers complete mortgage procedures, and will stand as guarantor prior to the submission of property title by the buyer to the lender banks for mortgage purpose. As of 30th June, 2001, the outstanding guarantees amounted to approximately HK\$ 249 million (31st December, 2001: HK\$230million).