



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2001

1. BASIS OF PREPARATION

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 with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants except that, in this first year of implementation of SSAP 25, as permitted by the Listing Rules, no comparative amounts have been presented for the condensed statement of recognised gains and losses and the condensed cash flow statement.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, SSAP 26 "Segment Reporting". The Group has changed the basis of identification of reportable segments to that required by SSAP 26. Segment disclosures for the six months ended 30th June, 2000 have been amended so that they are presented on a consistent basis.



3. SEGMENT INFORMATION

Business Segments

For the six months ended 30th June, 2001	Hotel operation	Steel trading	Property investment	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	10,587	15,427	2,068	28,082
SEGMENT RESULT	1,952	(328)	930	2,554
Unallocated corporate expenses				(3,287)
Loss from operations				(733)
For the six months ended 30th June, 2000	Hotel operation	Property investment	Consolidated	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
REVENUE	9,350	2,005	11,355	
SEGMENT RESULT	290	1,452	1,742	
Unallocated corporate expenses				(5,854)
Loss from operations				(4,112)



3. SEGMENT INFORMATION - continued

Geographical Segments

For the six months ended 30th June, 2001	The People's Republic of China, other than Hong Kong HK\$'000	Hong Kong HK\$'000	Consolidated HK\$'000
	REVENUE	10,601	17,481
SEGMENT RESULT	1,908	646	2,554
Unallocated corporate expenses			(3,287)
Loss from operations			(733)
For the six months ended 30th June, 2000			
REVENUE	9,350	2,005	11,355
SEGMENT RESULT	290	1,452	1,742
Unallocated corporate expenses			(5,854)
Loss from operations			(4,112)

4. LOSS FROM OPERATIONS

Loss from operations for the current period has been arrived at after charging depreciation of approximately HK\$711,000 (six months ended 30th June, 2000: HK\$980,000) in respect of the Group's property, plant and equipment.

5. TAXATION

No provision for Hong Kong Profits Tax or overseas taxation has been made in the financial statements as the Company and its subsidiaries have no assessable profits for either period.



6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period of approximately HK\$2,339,000 (six months ended 30th June, 2000: HK\$6,057,000) and on the weighted average number of 582,925,192 ordinary shares (six months ended 30th June, 2000: 582,925,192 ordinary shares) in issue during the period.

7. INVESTMENT PROPERTIES

At 30th June, 2001, the directors have considered the carrying amounts of the Group's investment properties carried at the revalued amounts and have estimated that the carrying amounts as at 30th June, 2001 do not differ significantly from the open market value of those properties as at 30th June, 2001. Consequently, no revaluation surplus or deficit has been recognised in the current period.

8. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of the Group's trade receivables as at the balance sheet date:

	30.6.2001	31.12.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
0 – 60 days	1,123	2,666
61 – 90 days	324	343
91 – 120 days	83	735
> 120 days	638	518
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Total trade receivables	2,168	4,262
Other receivables	5,488	1,891
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	7,656	6,153
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9. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables as at the balance sheet date:

	30.6.2001 <i>HK\$'000</i> <i>(unaudited)</i>	31.12.2000 <i>HK\$'000</i> <i>(audited)</i>
0 – 60 days	1,756	3,291
61 – 90 days	326	570
91 – 120 days	280	322
> 120 days	257	380
Total trade payables	<u>2,619</u>	<u>4,563</u>
Other payables	<u>8,676</u>	<u>8,050</u>
	<u><u>11,295</u></u>	<u><u>12,613</u></u>

10. BANK BORROWINGS

During the period, the Group repaid HK\$3,510,000 of its bank borrowings, and obtained new bank borrowings of HK\$6,678,000.

11. SHARE CAPITAL

	Number of shares		Nominal value	
	30.6.2001	31.12.2000	30.6.2001	31.12.2000
	<i>(unaudited)</i>	<i>(audited)</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i> <i>(audited)</i>
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning of the period/year	1,000,000,000	600,000,000	100,000	60,000
Increase during the period/year	—	400,000,000	—	40,000
At end of the period/year	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:				
At beginning of the period/year	582,925,192	486,925,192	58,293	48,693
Issue of new shares	—	96,000,000	—	9,600
At end of the period/year	<u>582,925,192</u>	<u>582,925,192</u>	<u>58,293</u>	<u>58,293</u>



12. RESERVES

	Share premium <i>HK\$'000</i>	Hotel property revaluation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2000	360,299	43,695	(56,848)	5,427	352,573
Exchange adjustments	—	—	(90)	—	(90)
Share premium arising from issue of shares	14,400	—	—	—	14,400
Deficit on revaluation of hotel properties	—	(2,000)	—	—	(2,000)
Loss for the year	—	—	—	(14,128)	(14,128)
	<u>374,699</u>	<u>41,695</u>	<u>(56,938)</u>	<u>(8,701)</u>	<u>350,755</u>
At 31st December, 2000	374,699	41,695	(56,938)	(8,701)	350,755
Loss for the period	—	—	—	(2,339)	(2,339)
	<u>374,699</u>	<u>41,695</u>	<u>(56,938)</u>	<u>(11,040)</u>	<u>348,416</u>
At 30th June, 2001	<u>374,699</u>	<u>41,695</u>	<u>(56,938)</u>	<u>(11,040)</u>	<u>348,416</u>

The Company had no reserve available for distribution to the shareholders as at 31st December, 2000 and 30th June, 2001.

13. PLEDGE OF ASSETS

At 30th June, 2001, the Group's investment properties and bank deposits and all accrued interest thereon amounting to HK\$77,000,000 (31st December, 2000: HK\$88,600,000) and HK\$10,000,000 (31st December, 2000: HK\$10,000,000), respectively were pledged to secure banking facilities.

14. POST BALANCE SHEET EVENTS

Subsequently to the balance sheet date, the Company offered a Rights Issue of 83,275,027 Rights Shares of HK\$0.10 each on the basis of one Rights Share for every seven Shares held on 27th August, 2001 at HK\$0.35 per Rights Share payable in full on acceptance. Details of the Rights Issue are set out in the Company's prospectus dated 27th August, 2001.