

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and certain investments in securities.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in the audited financial statements for the year ended 31st March, 2001.

In the financial statements for the year ended 31st March, 2001, the Group has adopted certain new or revised Statements of Standard Accounting Practices ("SSAP(s)") issued by the Hong Kong Society of Accountants. In accordance with SSAP 30 "Business combinations", goodwill or negative goodwill that was previously charged or credited against reserves has been retrospectively recognised as an asset or presented as a deduction from assets. The effect of this change has been to increase the loss for six months ended 30th September, 2000 by HK\$15,579,000.

The adoption of other new or revised SSAPs has had no material effect on amounts reported in prior period.

Segment reporting

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

3. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover and loss from operations, analysed by principal activity, is as follows:

	Turnover		Loss from operations	
	six months ended		six months ended	
	30.9.2001	30.9.2000	30.9.2001	30.9.2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trading of air conditioning equipment and provision of engineering related services	11,591	13,691	(1,685)	(397)
Trading of motorcycles	5,594	4,759	10	(306)
Trading of pharmaceutical products	3,459	3,249	(845)	(555)
Property development and investment	934	798	(9,409)	(9,313)
General trading	-	1,031	-	(6)
Department stores	-	-	48	(58)
	<u>21,578</u>	<u>23,528</u>	<u>(11,881)</u>	<u>(10,635)</u>
Corporate and other expenses			(10,176)	(6,188)
Amortisation of goodwill			-	(15,579)
Recognition of negative goodwill as income			6,174	590
Loss from operations			<u>(15,883)</u>	<u>(31,812)</u>

Over 90% of the Group's turnover and loss from operations are derived from the People's Republic of China (the "PRC").



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Cont'd)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

4. LOSS FROM OPERATIONS

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
Loss from operations for the period has been arrived at after charging:		
Depreciation of property, plant and equipment		
– assets owned by the Group	628	683
– asset held under a finance lease	28	5
	<u>656</u>	<u>688</u>

5. FINANCE COSTS

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
Interest on bank and other borrowings wholly repayable within five years	5,463	7,288
Less: Amount capitalised to properties under development	(5,455)	(7,249)
	<u>8</u>	<u>39</u>

6. TAXATION

	Six months ended	
	30.9.2001	30.9.2000
	HK\$'000	HK\$'000
The charge comprises taxation outside Hong Kong:		
The Company and subsidiaries	30	(17)
Share of taxation of associates	1,154	1,034
Share of taxation of a jointly controlled entity	6,417	–
	<u>7,601</u>	<u>1,017</u>

No provision for Hong Kong Profits Tax has been made for the Company and its subsidiaries as the Group incurred tax losses for the period.

Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (Cont'd)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

7. LOSS PER SHARE

The calculation of loss per share is based on the net loss for the period of HK\$31,609,000 (six months ended 30th September, 2000: HK\$28,993,000 (restated)) and on 1,951,993,121 (six months ended 30th September, 2000: weighted average number of 1,895,027,547) shares outstanding during the period.

No diluted figure has been presented for either period as the exercise price of the Company's outstanding options was higher than the average market price of the Company's shares.

The adjustment to comparative basic loss per share, arising from the change in accounting policies described in note 2 above, is as follows:

	HK cent
Reconciliation of basic loss per share at 30.9.2000:	
Reported figure before adjustment	(0.7)
Adjustment arising from the adoption of SSAP 30	(0.8)
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Restated	(1.5)
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8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

As SSAP 25 does not require an enterprise to arrange for a revaluation to be made by professional qualified valuers on revalued assets held at the interim period end, accordingly, no professional valuation has been performed in respect of the Group's investment properties as at 30th September, 2001. However, the directors consider that the values of the Group's investment properties as at 30th September, 2001 would not differ materially from the professional valuation made as at 31st March, 2001 and, accordingly, no revaluation surplus or deficit has been recognised in the current period.

As at 30th September, 2001, the directors consider that the value of the Group's property, plant and equipment has an impairment loss of HK\$3,600,000 and this amount has been recognised in the current period's condensed income statement.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranged from 30 to 120 days to its trade customers.

The following is an aged analysis of trade debtors at the reporting date:

	30.9.2001 HK\$'000	31.3.2001 HK\$'000
0 – 60 days	5,908	4,071
61 – 90 days	299	1,149
> 90 days	30	2,172
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Other debtors, deposits and prepayments	6,237	7,392
	5,112	4,727
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	11,349	12,119
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FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

10. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the reporting date:

	30.9.2001 HK\$'000	31.3.2001 HK\$'000
0 – 60 days	2,642	3,040
61 – 90 days	592	339
> 90 days	3,878	1,771
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Other creditors and accrued expenses	7,112	5,150
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	12,817	15,272
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	19,929	20,422
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11. RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Special reserve HK\$'000	Deficit HK\$'000	Total HK\$'000
At 1st April, 2001	335,735	–	646	1,189	(8,908)	(292,925)	35,737
Exchange differences arising on translation of operations outside Hong Kong	–	80	–	–	–	–	80
Share of translation reserve of an associate	–	354	–	–	–	–	354
Share of translation reserve of a jointly controlled entity	–	971	–	–	–	–	971
Net loss for the period	–	–	–	–	–	(31,609)	(31,609)
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At 30th September, 2001	<u>335,735</u>	<u>1,405</u>	<u>646</u>	<u>1,189</u>	<u>(8,908)</u>	<u>(324,534)</u>	<u>5,533</u>

12. CONTINGENT LIABILITIES

At 30th September, 2001, the contingent liabilities of the Group are as follows:

- (a) An indemnity was given to the purchaser relating to unrecorded taxation liabilities, if any, and warranties relating to the affairs and businesses of a subsidiary disposed of in the year ended 31st March, 1998. The maximum aggregate liability of the Group in respect of all claims for breach of the warranties shall, when taken together with the aggregate liability of the Group in respect of all claims under the indemnity, not exceed the sum of HK\$60,000,000. All related claims may be brought against the Group up to the expiry of 10 years from 31st March, 1998.
- (b) Counter-indemnities were given to a bank for its guarantees amounting to approximately HK\$1,165,000 (31.3.2001: HK\$1,165,000) issued in respect of the Group's performance for certain engineering services rendered.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS** (Cont'd)

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

13. CAPITAL COMMITMENTS

	30.9.2001 HK\$'000	31.3.2001 HK\$'000
Commitments contracted for but not provided in the financial statements:		
Property development projects	57,690	2,592
Acquisition of medicine production technology	—	741
	<u>57,690</u>	<u>3,333</u>
Commitments authorised but not contracted for:		
Property development projects	—	57,794
In addition to the above, the Group's share of the capital commitments of its jointly controlled entity is as follows:		
Commitments contracted for but not provided in the financial statements of the jointly controlled entity:		
Property development projects	145,018	90,000
Commitments authorised but not contracted for:		
Property development projects	25,472	—

14. POST BALANCE SHEET EVENTS

(a) In October 2001, the Group entered into an agreement with an independent third party to dispose of its entire interest in Long River Development Limited ("Long River"), a wholly-owned subsidiary of the Company, at a proceeds of HK\$15,000,000. The principal asset of Long River is interest in a jointly controlled entity, Beijing Kang Xin Yuan Real Estate Development Co., Ltd. in which Long River is entitled to share 80% of the profit and loss of the company.

(b) In November 2001, the Group entered into an agreement with an independent third party to dispose of its entire interest in Five Dragons Trading Company Limited ("FDT"), a wholly-owned subsidiary of the Company, at a proceeds of HK\$18,000,000.

FDT is an investment holding company. It holds 48.728% registered capital of Shenzhen Rainbow Shopping Company ("Shenzhen Rainbow"), an associate of the Company. Shenzhen Rainbow operates department stores in the PRC.

(c) In November 2001, the Group entered into an agreement with an independent third party to dispose of its entire interest in Sparkle Star Limited ("Sparkle Star"), a wholly-owned subsidiary of the Company, at a proceeds of HK\$1,500,000.

Sparkle Star is an investment holding company. It holds 90% registered capital of Beijing Health Medical Development Co., Ltd. ("BHMD"). The principal activities of BHMD are the manufacturing and sale of pharmaceutical products, medicine and nutrient in the PRC.