

*Notes to condensed interim accounts:*

**1. Principal accounting policies and basis of preparation**

These unaudited condensed consolidated interim accounts (“interim accounts”) are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited. The interim accounts should be read in conjunction with the 2001 annual report.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the 2001 annual report except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January, 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1st July, 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The relevant changes to the Group’s principal accounting policies and the effect of adopting these new policies are set out below:

*(a) SSAP 9 (revised): Events after balance sheet date*

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 11, the opening contributed surplus at 1st April, 2000 and 2001 have increased by HK\$11,080,000 and HK\$6,640,000 respectively which are the reversal of the provision for the proposed final dividend previously recorded as a liability as at 31st March, 2000 and 2001 respectively. The adjustment has resulted in a decrease in current liabilities at 31st March, 2001 by HK\$6,640,000.

(b) *SSAP 26: Segment reporting*

In note 2 to the interim accounts, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical areas as the secondary reporting format. Comparative information has been given.

(c) *SSAP 30: Business combinations*

Goodwill arising on acquisitions occurring on or after 1st April, 2001 is included in intangible assets and is amortised using the straight line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st April, 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

For acquisitions prior to 1st April, 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill will not be restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st April, 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

## 2. Turnover and segmental information

The Group is principally engaged in property investment and development, securities investments and trading, manufacturing and sales of watch components, bonded polyester fabrics and home finishing products, and the provision of information technology services.

Analysis of the turnover and the loss before taxation in respect of each activity and geographical area are as follows:

### Six months ended 30th September, 2001

Activity	Property investment and development HK\$'000	Sales of goods and services HK\$'000	Information technology HK\$'000	Securities trading HK\$'000	Total HK\$'000
Turnover	<u>203,559</u>	<u>51,312</u>	<u>1,408</u>	<u>15,424</u>	<u>271,703</u>
Segment results	<u>15,856</u>	<u>2,968</u>	<u>(3,202)</u>	<u>(674)</u>	14,948
Other revenue					
– Interest income					13,405
Loss on deemed disposal of a listed subsidiary					(24,155)
Net unallocated costs					(35,099)
Share of profits/(losses) of associated companies	25	861	(117)	–	<u>769</u>
Loss before taxation					<u>(30,132)</u>
Geographical area	Hong Kong HK\$'000	People's Republic of China, excluding Hong Kong HK\$'000	Asia Pacific HK\$'000	Total HK\$'000	
Turnover	<u>226,547</u>	<u>4,503</u>	<u>40,653</u>	<u>271,703</u>	
Segment results	<u>12,151</u>	<u>74</u>	<u>2,723</u>	14,948	
Other revenue					
– Interest income				13,405	
Loss on deemed disposal of a listed subsidiary				(24,155)	
Net unallocated costs				(35,099)	
Share of profits less losses of associated companies				<u>769</u>	
Loss before taxation				<u>(30,132)</u>	

**Six months ended 30th September, 2000**

<b>Activity</b>	<b>Property investment and development</b>	<b>Sales of goods and services</b>	<b>Information technology</b>	<b>Securities trading</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>62,193</u>	<u>60,636</u>	<u>8,413</u>	<u>38,617</u>	<u>169,859</u>
Segment results	<u>(7,037)</u>	<u>7,411</u>	<u>(15,283)</u>	<u>(22,829)</u>	<u>(37,738)</u>
Other revenue					
– Interest income					21,031
Gain on deemed disposal of a subsidiary					20,704
Loss on deemed disposal of a listed associated company					(6,703)
Loss on deemed disposal of a listed subsidiary					(2,080)
Net unallocated costs					(35,067)
Share of profits/(losses) of associated companies	219	1,603	(369)	–	<u>1,453</u>
Loss before taxation					<u>(38,400)</u>
<b>Geographical area</b>	<b>Hong Kong</b>	<b>PRC</b>	<b>Asia Pacific</b>	<b>Total</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Turnover	<u>121,381</u>	<u>4,169</u>	<u>44,309</u>	<u>169,859</u>	
Segment results	<u>(40,141)</u>	<u>(921)</u>	<u>3,324</u>	<u>(37,738)</u>	
Other revenue					
– Interest income					21,031
Gain on deemed disposal of a subsidiary					20,704
Loss on deemed disposal of a listed associated company					(6,703)
Loss on deemed disposal of a listed subsidiary					(2,080)
Net unallocated costs					(35,067)
Share of profits less losses of associated companies					<u>1,453</u>
Loss before taxation					<u>(38,400)</u>

### 3. Operating profit

	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Operating profit is stated after crediting and charging the following:		
Crediting		
Dividend income	76	30
Gain on deemed disposal of a subsidiary	–	20,704
Gain on disposal of fixed assets	–	240
Sale of properties		
– properties held for/under development	4,203	–
– properties held for sale	<b>144,983</b>	2,500
	<hr/>	<hr/>
Charging		
Cost of inventories sold	<b>38,988</b>	54,893
Cost of properties sold		
– properties held for/under development	5,185	–
– properties held for sale	<b>133,142</b>	2,489
Cost of securities trading	<b>14,612</b>	37,468
Depreciation	<b>3,639</b>	5,327
Net realised and unrealised loss on other investments	<b>749</b>	22,859
Loss on deemed disposal of a listed associated company	–	6,703
Loss on deemed disposal of a listed subsidiary	<b>24,155</b>	2,080
Loss on disposal/write-off of fixed assets	<b>1,469</b>	–
Impairment loss on goodwill for investment in an associated company	<b>2,289</b>	–
Provision for investment in an associated company	<b>827</b>	–
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#### 4. Taxation

No provision for Hong Kong profits tax has been made in the interim accounts as the Company and its subsidiaries either have no assessable profit for the period or have unutilised tax losses to set off against current period's assessable profit. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the subsidiaries operate.

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Company and subsidiaries		
Hong Kong profits tax	–	–
Overseas taxation	<b>746</b>	1,269
	<b>746</b>	1,269
Associated companies		
Hong Kong profits tax	<b>233</b>	434
Overseas taxation	<b>19</b>	33
	<b>998</b>	1,736

#### 5. Dividends

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
2001 final dividend, paid, of HK0.5 cent (2000 final proposed: HK1 cent) per share ( <i>note</i> )	<b>6,640</b>	11,080

*Note:* The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st March, 2000 and 2001 were HK\$11,080,000 and HK\$6,640,000 respectively. Under the Group's new accounting policy as described in note 1(a), these have been written back against opening contributed surplus as at 1st April, 2000 and 2001 respectively as set out in note 11 and are now charged in the period in which they were proposed.

## 6. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$26,743,000 (2000: HK\$26,081,000) and the weighted average number of 1,328,006,155 (2000: 1,108,006,155) ordinary shares in issue during the period.

Diluted loss per share is not shown as the potential ordinary shares are anti-dilutive.

## 7. Trade receivables

The Group's credit terms on credit sales mainly range from 30 days to 90 days.

At 30th September, 2001, the age analysis of trade receivables of the Group was as follows:

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>20,302</b>	16,384
31 – 60 days	<b>3,262</b>	6,597
61 – 90 days	<b>2,990</b>	3,825
Over 90 days	<b>14,966</b>	12,176
	<hr/> <b>41,520</b> <hr/>	<hr/> 38,982 <hr/>

## 8. Trade payables

At 30th September, 2001, the age analysis of trade payables of the Group was as follows:

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	<b>7,513</b>	8,565
31 – 60 days	<b>1,065</b>	1,221
Over 60 days	<b>3,613</b>	14,022
	<hr/> <b>12,191</b> <hr/>	<hr/> 23,808 <hr/>

## 9. Long term liabilities

	<b>30th September, 2001 HK\$'000</b>	31st March, 2001 HK\$'000
Bank loans – secured		
Wholly repayable within five years	<b>972,698</b>	486,792
Not wholly repayable within five years	<b>306,194</b>	770,623
	<b>1,278,892</b>	1,257,415
Loan from a financial institution – secured		
Wholly repayable within five years	<b>74,276</b>	72,325
Obligations under finance leases		
Wholly repayable within five years	<b>1,623</b>	2,717
	<b>1,354,791</b>	1,332,457
Amounts due within one year included under current liabilities	<b>(216,885)</b>	(261,979)
	<b>1,137,906</b>	1,070,478

The maturity of the Group's long term liabilities is as follows:

	Bank loans		Loan from a financial institution	
	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
Within one year	<b>141,694</b>	187,773	<b>74,276</b>	72,325
In the second year	<b>198,056</b>	145,068	–	–
In the third to fifth year inclusive	<b>680,876</b>	394,932	–	–
After the fifth year	<b>258,266</b>	529,642	–	–
	<b>1,278,892</b>	1,257,415	<b>74,276</b>	72,325



At 30th September, 2001, the Group's finance lease liabilities were repayable as follows:

	<b>30th September, 2001</b>	31st March, 2001
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>1,067</b>	2,145
In the second year	<b>337</b>	336
In the third to fifth year inclusive	<b>490</b>	650
	<u><b>1,894</b></u>	<u>3,131</u>
Future finance charges on finance leases	<b>(271)</b>	(414)
Present value of finance lease liabilities	<u><b>1,623</b></u>	<u>2,717</u>

The present value of finance lease liabilities is as follows:

	<b>30th September, 2001</b>	31st March, 2001
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one year	<b>915</b>	1,881
In the second year	<b>270</b>	261
In the third to fifth year inclusive	<b>438</b>	575
	<u><b>1,623</b></u>	<u>2,717</u>

As at 30th September, 2001, the Group's bank loans and loan from a financial institution were secured by certain properties, including investment properties, land and buildings, properties held for/under development, with an aggregate net book value of HK\$3,033,862,000 (31st March, 2001: HK\$3,187,727,000).

As at 30th September, 2001, loan from a financial institution is guaranteed by the minority shareholder of a subsidiary in respect of its equity interest in the subsidiary and the guarantee amounted to HK\$22,283,000 (31st March, 2001: HK\$21,697,000).

## 10. Share capital

	<b>30th September, 2001</b>	31st March, 2001
	<b>HK\$'000</b>	<b>HK\$'000</b>
<i>Authorised:</i>		
1,600,000,000 ordinary shares of HK\$0.25 each	<u><b>400,000</b></u>	<u>400,000</u>
<i>Issued and fully paid:</i>		
1,328,006,155 ordinary shares of HK\$0.25 each	<u><b>332,002</b></u>	<u>332,002</u>

## 11. Contributed surplus

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of period/year as previously stated	<b>20,231</b>	26,871
Effect of adopting SSAP 9 (revised) ( <i>note 5</i> )		
– 2001/2000 final dividend proposed	<b>6,640</b>	11,080
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At beginning of period/year as restated	<b>26,871</b>	37,951
2001/2000 final dividend paid	<b>(6,640)</b>	(11,080)
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At end of period/year	<b>20,231</b>	26,871
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## 12. Contingent liabilities

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for the due and punctual payment by the Group of the amounts due to		
– a business partner	<b>6,000</b>	6,000
– a supplier	–	1,000
Guarantees for mortgage loans made by a bank to purchasers of properties sold by the Group	<b>4,281</b>	2,098
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	<b>10,281</b>	9,098
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## 13. Capital commitments

	<b>30th September, 2001</b>	31st March, 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for		
– acquisition of property	–	15,898
– acquisition of fixed assets	<b>21,929</b>	–
– property development expenditure	<b>58,065</b>	58,633
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	<b>79,994</b>	74,531
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#### **14. Subsequent events**

On 29th October, 2001, a wholly owned subsidiary of China Cyberworld Limited (“China Cyberworld”), a listed subsidiary of the Company, has entered into a conditional sale and purchase agreement with an associated company of China Cyberworld for the disposal of certain property interests in the PRC. Consideration for the disposal of such property interests will be HK\$252.9 million.

On the same date, China Cyberworld entered into a conditional subscription agreement to subscribe 421.5 million redeemable preference shares of the associated company at HK\$252.9 million. The preference shares will bear an annual preferred dividend rate of 2.5% on a cumulative basis, and will be redeemable by the associated company within five years from the date of issue. About 20% of the preferred shares can be convertible, at the option of China Cyberworld, into listed ordinary shares of the associated company within five years from the date of issue.

The transactions are expected to be completed in December 2001 and the Group will record a profit, of which the amount cannot be ascertained at the date of this report, as a result of the transactions.