

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties.

The condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 1 "Presentation of Financial Statements", SSAP 5 "Earnings Per Share", SSAP 11 "Foreign Currency Translation", SSAP 15 "Cash Flow Statement", SSAP 25 "Interim Financial Reporting" and SSAP 34 "Employee Benefits" issued by Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2001. The interim financial statements should be read in conjunction with the 2001 annual financial statements.

2. Turnover and segmental information

Turnover represents the net invoiced value of sales after allowances for goods returned and trade discounts, interest income and rental income, net of value-added, business and real estate taxes, received and receivable in the People's Republic of China (the "PRC") during the Period.

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the Period is as follows:

	GROUP Unaudited Turnover Six months ended 30th June,		GROUP Unaudited Contribution to profit/(loss) from operating activities Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
By activity:				
Investment holding	2,243	3,421	44,359	(8,685)
Property investment	2,257	1,104	232	801
Retail	50,119	–	(15,143)	–
	<u>54,619</u>	<u>4,525</u>	<u>29,448</u>	<u>(7,884)</u>
By geographical area:				
PRC:				
Hong Kong	4,500	1,148	44,748	(7,829)
Elsewhere	50,119	3,218	(15,300)	1,630
Thailand	–	159	–	(1,685)
	<u>54,619</u>	<u>4,525</u>	<u>29,448</u>	<u>(7,884)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Depreciation and amortisation

During the Period, a depreciation of HK\$2.04 million (2001: HK\$0.90 million) was charged in respect of the Group's property and equipment and an amortisation of HK\$1.96 million (2001: HK\$1.80 million) was charged in respect of the Group's intangible assets.

4. Taxation

	GROUP Unaudited Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Share of associates' tax:		
Provision for the Period	—	313
	<hr/>	<hr/>
Tax charge for the Period	—	313
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No provision for Hong Kong profits tax has been made as the Group has no assessable profits which were earned in or derived from Hong Kong during the Period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

5. Dividend

The Directors do not recommend the payment of any dividend in respect of the Period (2001: Nil).

6. Earnings/(Loss) per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Period of HK\$21.68 million (2001: net loss of HK\$32.84 million) and the weighted average of 5,996,614,408 shares (2001: 5,996,614,408 shares) of the Company in issue during the Period.

A bonus issue of warrants was made and a share option scheme was adopted on 13th June, 2000 and 31st May, 2002, respectively. Diluted earnings per share for the Period was calculated based on the net profit from ordinary activities attributable to shareholders of HK\$21.68 million plus deemed interest income of HK\$0.81 million on conversion of the dilutive potential ordinary shares, and the weighted average number of ordinary shares in issue of 5,996,614,408 shares during the Period plus the potential ordinary shares of 772,734,458 shares deemed to be issued if outstanding warrants and share options had been exercised.

The diluted loss per share for the period ended 30th June, 2001 has not been disclosed as the warrants outstanding had an anti-dilutive effect on the basic loss per share for that period.

7. Transfer to/from reserve

There was no transfer to/from reserve of the Company in either the current or the prior interim reporting period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (*Continued*)

8. Trade debtors

Details of the aging analysis of trade debtors of the Group are as follows:

	GROUP	
	Unaudited 30th June, 2002 HK\$'000	Audited 31st December, 2001 HK\$'000
Less than 90 days	975	—
181 to 365 days	1	—
	<u>976</u>	<u>—</u>

9. Trade creditors

Details of the aging analysis of trade creditors of the Group are as follows:

	GROUP	
	Unaudited 30th June, 2002 HK\$'000	Audited 31st December, 2001 HK\$'000
Less than 90 days	13,604	14,924
91 to 180 days	7,789	8,116
181 to 365 days	725	902
Over 365 days	155	—
	<u>22,273</u>	<u>23,942</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Commitments

(a) Capital commitments

At the balance sheet date, the Group's share of capital commitments of the jointly controlled entities was as follows:

	GROUP	
	Unaudited 30th June, 2002 HK\$'000	Audited 31st December, 2001 HK\$'000
Authorised and contracted for:		
Acquisition of land use rights	33,002	33,002
Preliminary development costs	11,248	11,248
	<u>44,250</u>	<u>44,250</u>

At the balance sheet date, the Company did not have any material capital commitments.

(b) Commitments under operating leases

At the balance sheet date, the Group and the Company had commitments under non-cancellable operating leases payable in the following years as follows:

	GROUP		COMPANY	
	Unaudited 30th June, 2002 HK\$'000	Audited 31st December, 2001 HK\$'000	Unaudited 30th June, 2002 HK\$'000	Audited 31st December, 2001 HK\$'000
Land and buildings expiring:				
Within one year	7,372	7,561	2,075	2,264
In the second to fifth years, inclusive	20,101	21,044	–	943
	<u>27,473</u>	<u>28,605</u>	<u>2,075</u>	<u>3,207</u>

11. Post balance sheet events

Subsequent to the interim reporting date, the Group has fully disposed of its entire equity interest in a wholly-owned subsidiary, which held 100% interest in Land Lot. No. 5 in Shanghai on 30th July, 2002. Total sales proceeds were US\$36.00 million (HK\$280.80 million), of which a deposit of US\$6.03 million (HK\$47.03 million) was received on 27th May, 2002. The remaining payment of US\$29.97 million (HK\$233.77 million) was received on 30th July, 2002.

In addition, due to the expansion of information technology business in Thailand, a capital increase of Thai Baht 65.00 million for Freewill Solutions Co., Ltd. was necessary. The Group, having 49% equity interest, has already contributed Thai Baht 31.85 million (approximately HK\$5.87 million) to Freewill Solutions Co., Ltd. in early September, 2002.