

# Dransfield Holdings Limited

## Notes To Condensed Consolidated Financial Statements

30 September 2000

### 1. Significant accounting policies

#### **Basis of preparation**

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statements of Standard Accounting Practice ('SSAP') No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants except that the comparative figures of the condensed consolidated cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2000.

#### **Prior period adjustment**

The Group has complied with SSAP No. 1 (revised) "Presentation of Financial Statements", as subsequently confirmed by Interpretation 9 "Accounting for Pre-operating Costs" issued by the Hong Kong Society of Accountants in the preparation of the audited financial statements for the year ended 31 March 2000 and for the first time in this interim reporting period for the purpose of interim financial reporting and accordingly, changed its accounting policy with respect to the treatment of pre-operating expenses. As a result, the Group now expenses, rather than capitalises and amortises, such pre-operating expenses.

This change in accounting policy has been made retrospectively and accordingly, the comparative amounts for the period ended 30 September 1999 were adjusted to decrease both general expenses and the net loss from ordinary activities attributable to shareholders by HK\$763,000. The accumulated losses brought forward as at 1 April 1999 have been increased by HK\$5,101,000.

#### **Turnover**

Turnover represents the invoiced value of goods sold together with revenue from logistics and other services provided, net of discounts and allowances; and gross rental income derived from investment properties.

# Dransfield Holdings Limited

## 2. Segmental information

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of operations for the six months ended 30 September 2000 as follows:

	Turnover		Profit/(loss) from operating activities	
	Six months ended 30 September		Six months ended 30 September	
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
By activity:				
Marketing and distribution of electronic household appliances	3,545	11,666	(1,096)	(1,103)
Production, marketing and distribution of:				
– paper and related personal products	2,292	1,045	(2,209)	(2,600)
– food and beverage products	18,198	27,775	(5,585)	(4,221)
Sourcing services and trading of apparel	86,767	98,312	6,547	8,369
Provision of logistics and other services	1,554	749	(3,828)	(2,945)
Property investment	3,729	3,363	2,465	2,638
Others (note)	–	–	(385)	–
	<u>116,085</u>	<u>142,910</u>	<u>(4,091)</u>	<u>138</u>
By geographical area:				
Hong Kong and Macau	9,831	10,156	(2,561)	(1,844)
The People's Republic of China	7,369	23,652	(4,949)	(3,227)
Europe	12,118	10,790	(2,513)	(3,009)
United States of America	86,767	98,312	6,317	8,218
Others (note)	–	–	(385)	–
	<u>116,085</u>	<u>142,910</u>	<u>(4,091)</u>	<u>138</u>

Note: The amount represents net loss on dilution of interests in subsidiaries and an associate.

## 3. Other revenue

An analysis of other revenue is as follows:

	Six months ended 30 September	
	2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
Commission income	–	1,603
Gain on dilution of interests in subsidiaries	1,154	–
Interest income	1,288	315
Others	400	1,607
Total other revenue	<u>2,842</u>	<u>3,525</u>

# Dransfield Holdings Limited

## 4. Loss before tax

The Group's loss before tax is arrived at after charging:

	<b>Six months ended 30 September</b>	
	<b>2000</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1999 <b>(Unaudited)</b> <b>HK\$'000</b>
Depreciation	5,266	4,434
Loss on dilution of interests in an associate	<u>1,539</u>	<u>–</u>

## 5. Tax

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the period. No provision for tax has been made for the associate and jointly-controlled entity as these companies had no assessable profits generated during the period.

	<b>Six months ended 30 September</b>	
	<b>2000</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1999 <b>(Unaudited)</b> <b>HK\$'000</b>
Company and subsidiaries:		
Hong Kong	<u>812</u>	<u>1,179</u>
Tax charge for the period	<u>812</u>	<u>1,179</u>

## 6. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$13,311,000 (1999: HK\$12,016,000 (restated)) and the weighted average of 1,720,630,874 shares (1999: 1,351,380,000 shares) in issue during the period.

Diluted loss per share for the periods ended 30 September 2000 and 1999 have not been shown as the options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

## 7. Interest in an associate

Following the completion of the distribution in specie of 8,325,700 shares of DF China Technology Inc. ("DFCT") to the Company's shareholders on 30 June 2000 (see note 11), the Group's interest in DFCT was reduced from 77.5% to 32.2%, and DFCT ceased to be a subsidiary and became an associate of the Group from that date onward. On 8 August 2000, DFCT issued 1,560,000 shares to a third party to satisfy the consideration of the acquisition of an approximately 21% interest in Tianjin 3D Image Technique Co. Ltd. attributable to the Group. As at the balance sheet date, the Group owned a 29.67% equity interest in DFCT.

## 8. Accounts receivable

The Group's credit period varies and depends on individual trade customers. The analysis below ages trade receivables, stated net of provisions for doubtful debts, based on the date of recognition of the revenue from the transactions.

	<b>(Unaudited)</b> <b>30 September</b> <b>2000</b> <b>HK\$'000</b>	<b>(Unaudited)</b> 31 March 2000 <b>HK\$'000</b>
0 - 3 months	28,877	14,230
3 - 6 months	3,420	1,055
6 - 12 months	642	638
over 1 year	<u>501</u>	<u>–</u>
	<u>33,440</u>	<u>15,923</u>

# Dransfield Holdings Limited

## 9. Accounts and bills payable

The analysis below ages trade and bills payables based on the date of the goods purchased and services rendered.

	(Unaudited) 30 September 2000 HK\$'000	(Unaudited) 31 March 2000 HK\$'000
0 - 3 months	28,913	14,217
3 - 6 months	3,112	819
6 - 12 months	437	76
over 1 year	5,926	6,155
	<u>38,388</u>	<u>21,267</u>

## 10. Issued capital

During the period, the following movements in the Company's issued share capital took place:

- On 26 June 2000, 32,500,000 and 2,000,000 ordinary shares were issued upon the exercise of the share options by the directors and employees, respectively, at an exercise price of HK\$0.10 per share for a total amount of HK\$3,450,000 before expenses.
- On 11 July 2000, 160,000,000 ordinary shares of HK\$0.10 each were allotted and issued, for cash, at HK\$0.10 per share for a total consideration of HK\$16,000,000 (before expenses) to certain substantial shareholders and a director of the Company. These shares were then placed to independent investors at HK\$0.10 per share.

## 11. Reserves

### Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2000	312,658	31,920	2,845	11,459	(128,550)	230,332
Expenses on issue of new shares	(497)	-	-	-	-	(497)
Exchange differences on consolidation	-	-	-	(2,968)	-	(2,968)
Distribution in specie to shareholders (Note)	(97,990)	-	-	-	-	(97,990)
Loss for the period	-	-	-	-	(13,311)	(13,311)
At 30 September 2000	<u>214,171</u>	<u>31,920</u>	<u>2,845</u>	<u>8,491</u>	<u>(141,861)</u>	<u>115,566</u>

Note: On 30 June 2000, 8,325,700 shares of DFCT held by the Company was distributed to the Company's shareholders on the basis of 1,000 DFCT's shares for every 200,000 of the Company's shares held on 30 June 2000. The carrying value of DFCT's shares distributed in specie has been charged to the Company's share premium account.

## 12. Related party transactions

		Six months ended 30 September 2000 (Unaudited) HK\$'000	1999 (Unaudited) HK\$'000
Turnover and other revenue derived from DFCT, an associate:			
Interest income received	(i)	657	-
Logistics service income	(ii)	68	-
Management fee received	(iii)	149	-
Sales of hygienic paper	(iv)	145	-
		<u>1,019</u>	<u>-</u>

# Dransfield Holdings Limited

*Note:*

- (i) The interest income arose from the amount due from an associate which was charged at rates ranging from 9.5% to 12.5%.
- (ii) The logistics service income was charged according to prices and conditions similar to those offered to other major customers of the Group.
- (iii) The management fee in relation to the provision of accounting and administrative service was charged according to prices and conditions similar to those offered to other major customers of the Group.
- (iv) The sales of hygienic paper was charged according to prices and conditions similar to those offered to other major customers of the Group.

### **13. Post balance sheet events**

- (a) On 1 December 2000, 37,900,000 share options of the Company were granted by the Company at an exercise price of HK\$0.10 per share to certain directors and employees of the Company and/or its subsidiaries, subject to their acceptance within a period of 28 days from the date of offer.
- (b) On 1 December 2000, 313,000 share options of DFCT, an associate of the Group, were granted by DFCT at an exercise price of US\$1.5781 per share to certain directors and employees of the Company, its corporate parent, or its subsidiaries, subject to their acceptance within a period of 28 days from the date of offer.

### **14. Approval of the interim financial statements**

The condensed consolidated interim financial statements were approved by the board of directors on 28 December 2000.