

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Principal accounting policies

The consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting". The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended April 30, 2000.

2. Basis of consolidation

The consolidated results of the Group include the results of the Company and its subsidiaries for the six months ended October 31, 2000. All significant intra-group transactions and balances have been eliminated on consolidation.

The results of operations of two subsidiaries, Wing Hung Kee Commodities Limited ("WHK Commodities") and Zhong Freight Limited ("Zhong Freight"), have not been consolidated because the Directors are of the opinion that to include the results of WHK Commodities and Zhong Freight in the consolidated results would be of no real value to the members and be misleading, respectively. WHK Commodities is inactive with insignificant amount of net assets. Control over Zhong Freight is considered by the Directors as temporary as Zhong Freight has commenced a creditors' voluntary liquidation since June 1995.

Income from the unconsolidated subsidiaries is accounted for using equity method of accounting.

3. Turnover

Turnover represents rental income from property letting which is recognised when rental is received and receivable.

4. Loss before tax

Operating loss is stated after charging unrealised loss on other investment amounting to HK\$1,573,000 (1999: nil) and depreciation expenses on fixed assets of approximately HK\$77,000 (1999: HK\$5,000).

5. Taxation

The Company has no estimated assessable profit for Hong Kong and overseas profits tax purpose for the period. Potential deferred tax asset arising from cumulative tax losses as of October 31, 2000 has not been recognised in the consolidated financial statements.

6. Loss per share

Loss per share is calculated based on the consolidated loss attributable to shareholders for the six months ended October 31, 2000 of approximately HK\$3,193,000 (1999: HK\$777,000 as restated) and on the weighted average of 591,047,975 ordinary shares in issue throughout the six months ended October 31, 2000 (1999: 591,047,975 ordinary shares). The weighted average number of shares in issue for the six months ended October 31, 1999 has been retrospectively adjusted for the effects of the share split which occurred on April 26, 2000.

As of October 31, 2000, there were no share options or warrants outstanding and therefore, the diluted loss per share for both periods is the same as the basic loss per share.

7. MOVEMENT OF RESERVES

	Property revaluation reserves				Deficit HK\$'000	Total HK\$'000
	Share premium HK\$'000	Investment properties HK\$'000	Leasehold land and building HK\$'000	Exchange translation reserve HK\$'000		
Balance at May 1, 2000	12,282	122	439	756	(25,613)	(12,014)
Loss for the period	—	—	—	—	(3,193)	(3,193)
Balance at October 31, 2000	<u>12,282</u>	<u>122</u>	<u>439</u>	<u>756</u>	<u>(28,806)</u>	<u>(15,207)</u>
Balance at May 1, 1999	12,282	991	1,955	481	(18,340)	(2,631)
Change in accounting policy with respect to pre-operating expenses (Note 8)	—	—	—	—	(3,197)	(3,197)
As restated	12,282	991	1,955	481	(21,537)	(5,828)
Loss for the period as previously reported	—	—	—	—	(517)	(517)
Change in accounting policy with respect to pre-operating expenses (Note 8)	—	—	—	—	(260)	(260)
Loss for the period as restated	—	—	—	—	(777)	(777)
Translation adjustment	—	—	—	163	—	163
Balance at October 31, 1999	<u>12,282</u>	<u>991</u>	<u>1,955</u>	<u>644</u>	<u>(22,314)</u>	<u>(6,442)</u>

8. Comparative figures

Certain of the 1999 comparative figures have been reclassified to conform to the current period's presentation and to conform to the provision under the revised Statement of Standard Accounting Practice Number 1 "Presentation of Financial Statements" issued by the Hong Kong Society of Accountants.

During the six months ended October 31, 1999, pre-operating expenditure was capitalized and amortized, on a straight-line basis, over a period of five years from the date of commencement of commercial operation of a subsidiary. Because of the adoption of Statement of Standard Accounting Practice Number 1 "Presentation of financial statements" and Interpretation 9 "Accounting for pre-operating costs" issued by the Hong Kong Society of Accountants, pre-operating expenditure is expensed as incurred. As a result, pre-operating expenses incurred during the six months ended October 31, 2000 which amounted to approximately HK\$106,000 were charged to the consolidated profit and loss account.

This change in accounting policy has been applied retrospectively with the result that the Group's net loss for the six months ended October 31, 1999 was increased by HK\$260,000, being the amount of pre-operating expenses incurred during the six months ended October 31, 1999, and the beginning deficit balance for the six months ended October 31, 1999 was increased by HK\$3,197,000, being the cumulative balance of unamortized pre-operating expenses as of May 1, 1999. Comparative figures for the six months ended October 31, 1999 and as of April 30, 2000 have been restated to reflect the change in accounting policy.