

NOTES TO THE INTERIM FINANCIAL STATEMENTS (UNAUDITED)

I. PRINCIPAL ACCOUNTING POLICIES

The condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”).

The condensed interim financial statements should be read in conjunction with the 2001 annual financial statements. The accounting policies and the basis of preparation adopted are consistent with those followed in the Group’s annual financial statements for the year ended April 30, 2001, except for the adoption of certain new SSAPs issued by HKSA as described below.

In current period, the Group has adopted, for the first time, the following SSAPs issued by HKSA:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets

For the six months ended October 31, 2001, the adoption of the above new accounting standards has no material impact on the reported financial position or results of the Group.

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, 2001. All significant intra-group transactions and balances have been eliminated on consolidation.

The results of operations of a subsidiary, Zhong Freight Limited (“Zhong Freight”), have not been consolidated because the directors are of the opinion that control over Zhong Freight is temporary as Zhong Freight has commenced creditors’ voluntary liquidation since June 1995.

Investment in unconsolidated subsidiaries is stated at cost less provision for any impairment in value. Income from the unconsolidated subsidiaries is accounted for to the extent of dividends declared.

3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating loss before taxation by principal business activities and geographical markets is as follows:

	Turnover		Operating loss before taxation	
	For the six months ended October 31,		For the six months ended October 31,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal business activities:				
Property letting	<u>1,222</u>	<u>917</u>	<u>(1,588)</u>	<u>(3,194)</u>
By principal geographical markets:				
Hong Kong	<u>982</u>	<u>917</u>		
Malaysia	<u>240</u>	<u>—</u>		
	<u>1,222</u>	<u>917</u>		

4. TURNOVER

Turnover represents rental income from property letting which is recognized based on a straight-line basis over the terms of the rental contracts.

5. LOSS BEFORE TAX

Operating loss is stated after charging unrealized loss on other investment amounting to HK\$12,000 (2000: HK\$1,573,000) and depreciation expenses on fixed assets of approximately HK\$137,000 (2000: HK\$77,000).

6. TAXATION

The Company has no estimated assessable profit for Hong Kong and overseas profits tax purposes for the period. Potential deferred tax asset arising from cumulative tax losses as of October 31, 2001 has not been recognized in the consolidated financial statements.

7. LOSS PER SHARE

Loss per share is calculated based on the consolidated loss attributable to shareholders for the six months ended October 31, 2001 of approximately HK\$1,586,000 (2000: HK\$3,193,000) and on the weighted average of 591,047,975 ordinary shares in issue throughout the six months ended October 31, 2001 (2000: 591,047,975 ordinary shares).

As of October 31, 2001 and 2000, there were no dilutive financial instruments (such as share options and warrants) outstanding and therefore, the diluted loss per share for both periods is the same as the basic loss per share.

8. DEBTORS, PREPAYMENTS AND DEPOSITS

Debtors, prepayments and deposits comprise:

	As at October 31, 2001 HK\$'000	As at April 30, 2001 HK\$'000 (Audited)
Trade debtors	41	24
Other debtors	560	557
Prepayments and deposits	420	541
	<u>1,021</u>	<u>1,122</u>

Analysis of aging of trade debtors is as follows:

	As at October 31, 2001 HK\$'000	As at April 30, 2001 HK\$'000 (Audited)
Not over 3 months	41	24
3 months and over	-	-
	<u>41</u>	<u>24</u>

The Group grants a credit period of 15 days to the trade debtors. The balances with trade debtors and other debtors are unsecured, interest-free and have no fixed repayment terms.

9. CREDITORS AND ACCRUED LIABILITIES

Creditors and accrued liabilities comprise:

	As at October 31, 2001 HK\$'000	As at April 30, 2001 HK\$'000 (Audited)
Trade creditors	—	—
Other creditors	7,396	7,436
Accrued liabilities	355	1,035
	<u>7,751</u>	<u>8,471</u>

No aging analysis of trade creditors is presented as there was no balance as at October 31, 2001 and April 30, 2001 respectively.

The balances with other creditors are unsecured, interest-free and have no fixed repayment terms.

10. 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, 2001	12,282	29	589	756	(38,058)	(24,402)
Loss for the period	—	—	—	—	(1,586)	(1,586)
Balance at October 31, 2001	<u>12,282</u>	<u>29</u>	<u>589</u>	<u>756</u>	<u>(39,644)</u>	<u>(25,988)</u>
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>