

NOTES TO THE ACCOUNTS

1. Basis of Preparation

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix I 6 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. Principal Accounting Policies

The unaudited condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2002.

In the current period, the Group has adopted, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has no significant effect on the financial statements for the current or prior period.

3. Segment Reporting and Business Segments

Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segments

The Group comprises the following main business segments:

Strategic investment:	The investments in investment securities, which engage in design and integration of automaton and system, design and supply of software, manufacture of printed circuit boards' related materials, to generate dividend income and gain from appreciation in the investment value in the long term.
Property investment:	The leasing or sale of office premises and shopping arcades.
Trading:	Trading of copper clad laminate products.
Toy business:	The manufacture and sale of toys products.
Property development:	The development and sale of office premises and residential properties.

For the six months ended 30 September 2002 (unaudited)

	Continuing operations			Discontinued operations		Consolidated
	Strategic investment	Property investment	Trading	Toys business	Property development	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue from external customers	–	–	2,631,874	–	–	2,631,874
Segment results	(16,640)	2,679,675	(32,498)	(124,000)	–	2,506,717
Unallocated operating expenses						(5,381,146)
Loss from operations						(2,874,429)
Non-operating income, net						–
Finance costs						(220,826)
Taxation						–
Net loss for the period						(3,095,255)

For the six months ended 30 September 2001 (unaudited)

	Continuing operations			Discontinued operations		Consolidated
	Strategic investment	Property investment	Trading	Toys business	Property development	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Revenue from external customers	–	–	–	–	–	–
Segment results	(6,540)	(38,545)	–	(53,035)	–	(98,120)
Unallocated operating expenses						(3,014,347)
Loss from operations						(3,112,467)
Non-operating income, net						4,240,403
Finance costs						(2,195,864)
Taxation						–
Net loss for the period						(1,067,928)

In view of the fact that the Group operates mainly in The People's Republic of China (including Hong Kong), no geographical segmental information is presented.

4. Other Revenue

	For the six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$	HK\$
Interest income	2,501,488	189,928
Rental income	–	30,000
Net exchange gain	–	28
Others	376,022	248,160
	2,877,510	468,116

5. Loss from Operations

Loss from operations is stated after crediting and charging the following:

	For the six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$	HK\$
Crediting:		
Interest income	2,501,488	189,928
Net exchange gain	–	28
Charging:		
Depreciation of property, plant and equipment	69,500	117,813
Operating leases rentals in respect of rented premises	543,570	688,320
Preliminary expenses	–	3,530
Total staff costs	2,160,497	883,368

6. Finance Costs

	For the six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$	HK\$
Interest on bank borrowings wholly repayable within five years	–	155,675
Interest on amount due to a major shareholder	–	2,036,156
Finance charges on obligations under finance lease	–	4,033
Interest paid to Inland Revenue Department (note 7(b))	220,826	–
	220,826	2,195,864

7. Taxation

- (a) No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable profit derived in Hong Kong during the period.
- (b) Tax payable in the consolidated balance sheet represents balance on profits tax provision in respect of a wholly-owned subsidiary of the Company, Toy House Industry Limited, for the prior years.

8. Loss Per Share

The calculation of basic loss per share for the period ended 30 September 2002 is based on the net loss attributable to shareholders of HK\$3,095,255 (2001: HK\$1,067,928) and on the weighted average of 1,061,627,920 shares (2001: 755,332,196 shares) in issue throughout the period.

9. Investment Properties

In the opinion of directors, there is no material difference between the carrying amount and the market value of investment properties as at 30 September 2002.

10. Other Property, Plant and Equipment

	For the six months ended 30 September 2002 Unaudited HK\$
Opening net book value	343,701
Additions	3,485
Depreciation	(69,500)
	<u>277,686</u>

11. Investment Securities

	30/9/2002 (unaudited) HK\$	31/3/2002 (audited) HK\$
Listed equity securities		
Equity securities listed in Hong Kong, at carrying value	86,866,000	86,866,000
Unlisted equity securities		
Investment, at cost	176,694,089	176,694,089
Loan to the investee company	2,305,911	2,305,911
	265,866,000	265,866,000
Less: Provision for diminution in value	(20,000,000)	(20,000,000)
	245,866,000	245,866,000
Market value of listed securities	40,185,600	53,168,640

12. Trade and Other Receivables

The Group has a policy of allowing average credit period of 60 to 90 days to its trade customers. The ageing analysis of the trade receivables as at 30 September 2002 was as follows:

	30/9/2002 (unaudited) HK\$	31/3/2002 (audited) HK\$
Within 1 month	43,800	—
After 1 month but within 2 months	322,160	—
After 2 months but within 3 months	562,770	—
After 3 months	1,537,430	—
	2,466,160	—

13. Trade and Other Payables

	30/9/2002 (unaudited) HK\$	31/3/2002 (audited) HK\$
Within 1 month	41,610	—
After 1 month but within 2 months	99,921	—
After 2 months but within 3 months	649,372	—
After 3 months	1,700,528	—
	2,491,431	—

14. Share Capital

	No. of shares	Nominal value (HK\$)
<i>Authorised</i>		
(Ordinary shares, HK\$0.1 each)		
As at 1 April 2002 & 30 September 2002	5,000,000,000	500,000,000
<i>Issued and fully paid-up</i>		
(Ordinary shares, HK\$0.1 each)		
As at 1 April 2002 & 30 September 2002	1,061,627,920	106,162,792

15. Reserves

	Share Premium HK\$	Capital Redemption Reserve HK\$	Investment Properties Reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2001	205,117,925	68,600	–	(194,886,254)	10,300,271
Premium arising from issue of shares, net of expenses	159,234,289	–	–	–	159,234,289
Net loss for the period	–	–	–	(1,067,928)	(1,067,928)
At 30 September 2001 and 1 October 2001	364,352,214	68,600	–	(195,954,182)	168,466,632
Premium arising from issue of shares, net of expenses	72,317,946	–	–	–	72,317,946
Revaluation Surplus	–	–	11,677,000	–	11,677,000
Net Loss for the period	–	–	–	(25,288,166)	(25,288,166)
At 31 March 2002 and At 1 April 2002	436,670,160	68,600	11,677,000	221,242,348)	227,173,412
Net Loss for the period	–	–	–	(3,095,255)	(3,095,255)
At 30 September 2002	436,670,160	68,600	11,677,000	(244,337,603)	224,078,157

16. Capital Commitments

The Group's capital commitments not provided for in the financial statement are as follows:

	30/9/2002 (unaudited) HK\$	31/3/2002 (audited) HK\$
Authorised and Contracted for – Property, Plant and Equipment	485,365	–

17. Operating Lease Commitments

The Group's future aggregate minimum lease payment under non-cancellable operating lease are as follows:

	30/9/2002 (unaudited) HK\$	31/3/2002 (audited) HK\$
Leases expiring:		
Within one year	1,034,640	1,157,447
After 1 year but within 5 years	86,220	601,540
	1,120,860	1,758,987

18. Post Balance Sheet Event

The major transaction involving the issue of promissory note and convertible note by the Company as announced on 26 July 2002 was completed on 8 November 2002 (the "Completion Date"). Details of the transaction are set out in the Company's circular dated 19 August 2002 which has been despatched to the shareholders on the same date. As the acquisition of the remaining 5% equity interest held by the Independent PRC Party (as defined in the Circular) has been completed before the Completion Date, the Company has effectively owned 100% equity interest in Harbour Plaza Kunming through the acquisition of the entire share capital in and the shareholder's loan of approximately HK\$314 million owed by Risdon Limited at a total consideration of HK\$316.11 million.

19. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

20. Approval

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 13 December 2002.