

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2002 except as described below.

In the current period, the Group has adopted, for the first time, a number of new or revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement, but has had no material effect on the results for the current and prior accounting periods. Accordingly, no prior period adjustment has been required.

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Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows.

In addition, the Group has adopted the following accounting policy for plant and equipment newly acquired during the period:

Plant and equipment

Plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

| | |
|------------------------|-----|
| Office equipment | 20% |
| Leasehold improvement | 25% |
| Furniture and fixtures | 20% |
| Computer equipment | 20% |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3. SEGMENTAL INFORMATION

All of the Group's turnover and contribution to operating results are attributable to investment activities which are mainly located in Hong Kong.

4. TURNOVER

An analysis of the Group's turnover is as follows:

Dividend income – listed
Interest income

| | Six months ended | |
|--|------------------|------------|
| | 30.9.2002 | 30.9.2001 |
| | HK\$'000 | HK\$'000 |
| | 235 | 186 |
| | 135 | 372 |
| | <u>370</u> | <u>558</u> |

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

Directors' remuneration
– fees
– other emoluments
Retirement benefits scheme contributions
Other staff costs

Total staff costs
Auditor's remuneration
Depreciation
Investment management fee (note 14)
Interest on amount due to a related company

| | Six months ended | |
|--|------------------|------------|
| | 30.9.2002 | 30.9.2001 |
| | HK\$'000 | HK\$'000 |
| | 20 | 20 |
| | 517 | 30 |
| | 16 | 3 |
| | 90 | 62 |
| | <u>643</u> | <u>115</u> |
| | 54 | 20 |
| | 35 | – |
| | 431 | 441 |
| | – | 15 |
| | <u>–</u> | <u>15</u> |

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements since the Group had no assessable profit in both periods.

At 30th September, 2002, a deferred tax asset of approximately HK\$515,000 (31st March, 2002: approximately HK\$375,000) in respect of tax losses available to offset future profits was not recognised in the financial statements as it is not certain that such benefits will be crystallised in the foreseeable future.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2002 (six months ended 30th September, 2001: Nil).

8. LOSS PER SHARE – BASIC

The calculation of the loss per share is based on the loss for the six months ended 30th September, 2002 of approximately HK\$11,351,000 (six months ended 30th September, 2001: approximately HK\$2,602,000) and on the number of 246,568,000 (six months ended 30th September, 2001: the weighted average number of 228,425,923) shares in issue during the period.

9. PLANT AND EQUIPMENT

| | <i>HK\$'000</i> |
|---|-------------------|
| COSTS | |
| Additions and at 30th September, 2002 | 321 |
| DEPRECIATION | |
| Provided for the period and at 30th September, 2002 | <u>(35)</u> |
| NET BOOK VALUE | |
| At 30th September, 2002 | <u>286</u> |
| At 31st March, 2002 | <u>–</u> |

10. INVESTMENTS IN SECURITIES

Other securities:

Equity securities listed in Hong Kong,
at cost
Unrealised loss

Market value at 31st March
Unlisted equity securities, at fair value
Unlisted convertible bond

Carrying amount analysed for reporting purposes is as follows:

Non-current
Current

30.9.2002
HK\$'000

31.3.2002
HK\$'000

24,184
(14,799)

36,329
(11,327)

9,385**25,002****23,469****19,960****5,000****5,000****37,854****49,962****32,854****44,962****5,000****5,000****37,854****49,962****11. TRADE AND OTHER RECEIVABLES**

Included in trade and other receivables are trade receivables of approximately HK\$203,000 (31st March, 2002: approximately HK\$78,000). The amount represents interest income receivable from investments.

12. SHARE CAPITAL

Ordinary shares of HK\$0.01 each

Authorised:

At 31st March, 2002 and
30th September, 2002

**Number of
ordinary shares**

**Amount
HK\$'000**

1,000,000,000**10,000**

Issued and fully paid:

At 31st March, 2002 and
30th September, 2002

246,568,000**2,466**

13. NET ASSETS VALUE PER SHARE

The calculation of the net assets value per share is based on the net assets of the Group as at 30th September, 2002 of approximately HK\$43,723,000 (31st March, 2002: approximately HK\$58,546,000) and 246,568,000 (31st March, 2002: 246,568,000) ordinary shares in issue as at that date.

14. RELATED PARTY TRANSACTION

For the six months ended 30th September, 2002, the Group paid investment management fees of approximately HK\$431,000 (six months ended 30th September, 2001: approximately HK\$441,000) to AVANTA Investment (International) Limited, a company in which directors of the Company, Mr. Jerry Chiou, Mr. Tai Chi Ching and Mr. Chou Ping Chun, Benji are also directors.

Investment management fees are calculated at 1.5% per annum of the net assets value of the Group at the preceding month in accordance with the relevant management agreement.

15. POST BALANCE SHEET EVENT

On 28th October, 2002, the Company entered into a sale and purchase agreement with two independent third parties to dispose of 70.02% interest in its wholly-owned subsidiary, Everest Technology Investments Limited, for a consideration of approximately HK\$13,304,000.

On 1st November, 2002, the Company transferred and assigned its entire interest in a convertible bond issued by IT Star Holdings Limited to an independent third party for a total consideration of approximately HK\$5.2 million which is equal to the fair value of the bond plus accrued interest.