

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 Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited 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 and revised SSAPs issued by the HKSA. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, and in the adoption of the following new and revised accounting policies.

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

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 unless they are separately identified with investing or financing activities. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Discontinuing operations

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's printing and publishing business as a discontinuing operation in the current period, details of which are disclosed in note 14.

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2. PRINCIPAL ACCOUNTING POLICIES (continued)

Employee benefits

In the current period, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group's participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organized into the following operating divisions – apparel trading, marine product trading, financial services, printing and publishing, and property investment and rental. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and contribution to loss before taxation for the six months ended 30th September, 2002 is as follows:

	Six months ended 30th September, 2002					Consolidated HK\$'000
	Continuing operations (Unaudited)			Discontinuing operations (Unaudited)		
	Apparel trading HK\$'000	Marine product trading HK\$'000	Financial services HK\$'000	Printing and publishing HK\$'000	Property investment and rental HK\$'000	
Turnover						
External sales	71,754	25,847	-	143,425	-	241,026
Segment result	(6,940)	(2,302)	-	(10,026)	-	(19,268)
Interest income						27
Interest expenses						(1,520)
Corporate general and administrative expenses						(3,972)
Loss on disposal of a subsidiary						(39)
Share of results of associates	-	-	-	(100)	-	(100)
Loss before taxation						(24,872)

3. SEGMENT INFORMATION (continued)

	Six months ended 30th September, 2001					Consolidated HK\$'000
	Continuing operations (Unaudited & Restated)			Discontinuing operations (Unaudited & Restated)		
	Apparel trading HK\$'000	Marine product trading HK\$'000	Financial services HK\$'000	Printing and publishing HK\$'000	Property investment and rental HK\$'000	
Turnover						
External sales	74,483	26,345	407	135,673	265	237,173
Segment result	1,868	(736)	201	(27,119)	330	(25,456)
Interest income						2,129
Interest expenses						(1,369)
Corporate general and administrative expenses						(2,387)
Write back of allowance for amounts due from associates						558
Loss before taxation						(26,525)

4. LOSS FROM OPERATIONS

	Six months ended	
	30.9.2002 (unaudited) HK\$'000	30.9.2001 (unaudited) HK\$'000
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets	978	754
Depreciation and amortisation		
– owned assets	9,081	12,041
– assets held under finance leases	–	29
Loss on disposal of an investment property	–	185

5. TAXATION

No provision for Hong Kong Profits Tax has been made as there were no assessable profits for the period. The current period's credit represents overprovision of Hong Kong Profits Tax in prior years.

6. DIVIDENDS

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

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders for the period of approximately HK\$24,815,000 (2001: HK\$26,446,000) and on 589,257,804 shares (2001: 589,257,804 shares) in issue during the period.

No disclosure of diluted loss per share figure is presented as there were no dilutive potential ordinary shares outstanding in either period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$2,565,000 and also disposed of property, plant and equipment with aggregate net book value of approximately HK\$85,653,000 upon disposal of certain subsidiaries.

9. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 days to 180 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.9.2002 <i>(unaudited)</i> <i>HK\$'000</i>	31.3.2002 <i>(audited)</i> <i>HK\$'000</i>
0 – 30 days	14,830	28,531
31 – 90 days	4,862	27,563
91 – 180 days	2,940	14,438
Over 180 days	2,614	5,141
	25,246	75,673
Other receivables, deposits and prepayments	9,100	11,617
	34,346	87,290

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.9.2002 <i>(unaudited)</i> <i>HK\$'000</i>	31.3.2002 <i>(audited)</i> <i>HK\$'000</i>
0 – 90 days	3,783	47,985
91 – 180 days	228	6,393
Over 180 days	330	1,008
	4,341	55,386
Other payables and accrued expenses	11,304	28,883
	15,645	84,269

11. BANK AND OTHER BORROWINGS

During the period, the Group obtained a new bank loan amounting to approximately HK\$93,400,000 and an other loan amounting to HK\$5,000,000. Included in above, bank loans of approximately HK\$43,000,000 were raised by Island Gold Developments Limited and its subsidiaries, which were then disposed of by the Group on 22nd July, 2002. The loans bear interest at prevailing market rates and are repayable within one year. The proceeds were used to finance the Group's working capital requirements and trading activities.

12. SHARE CAPITAL

	Number of shares of HK\$0.01 each	Capital HK\$'000
Authorised:		
At 31st March, 2002 and 30th September, 2002	50,000,000,000	500,000
Issued and fully paid:		
At 31st March, 2002 and 30th September, 2002	589,257,804	5,893

13. COMMITMENTS**Operating lease commitments**

At the reporting date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30.9.2002 <i>(unaudited)</i> HK\$'000	31.3.2002 <i>(audited)</i> HK\$'000
Within one year	11,132	21,694
In the second to fifth year inclusive	1,665	8,193
	12,797	29,887

Capital commitments

	30.9.2002 <i>(unaudited)</i> HK\$'000	31.3.2002 <i>(audited)</i> HK\$'000
Capital expenditure, contracted for but not provided in the financial statements in respect of:		
– acquisition of properties under development in Malaysia (<i>note</i>)	105,281	105,281
– acquisition of property, plant and equipment	97	495
	105,378	105,776

Note: In the opinion of the directors of the Company, no demand for payments of these amounts will be made by the counterparties in the coming year.

Other commitments

At the reporting date, the Group had commitments for future minimum license payment in respect of licensing arrangements which fall due as follows:

	30.9.2002 <i>(unaudited)</i> HK\$'000	31.3.2002 <i>(audited)</i> HK\$'000
Within one year	3,149	4,706
In the second to fifth year inclusive	7,131	8,944
	10,280	13,650

14. DISCONTINUING OPERATIONS

On 10th June, 2002, the Group entered into a sale agreement to dispose of the entire equity interests in Island Gold Developments Limited and its subsidiaries ("Island Gold Group"), which carried out the Group's printing and publishing operations. The disposal was completed on 22nd July, 2002, on which date control of Island Gold Group passed to the purchaser.

The results of the printing and publishing operations for the interim reporting period were as follows:

	1.4.2002 to 22.7.2002 (unaudited) HK\$'000	1.4.2001 to 30.9.2001 (unaudited) HK\$'000
Revenue	143,425	135,673
Operating costs	(153,302)	(161,708)
Finance cost	(149)	(1,084)
Loss for the period	(10,026)	(27,119)

The effect of the disposal is summarised as follows:

	HK\$'000
Net liabilities disposed of	(630,838)
Amounts due from subsidiaries disposed of	709,021
Total consideration	78,183
Satisfied by:	
Cash consideration	78,183
Net cash inflow arising on disposal:	
Cash received	78,183
Bank balances and cash disposed of	(13,816)
Bank overdraft	1,345
	65,712

15. RELATED PARTY TRANSACTIONS

On 22nd July, 2002, the Group disposed of its 100% interest in Island Gold Group together with the amount due from Island Gold Group to Emperor International Holdings Limited ("EIHL"), a substantial shareholder of the Company at the time of disposal, for a cash consideration of approximately HK\$78,183,000. No gain or loss was arised on the disposal of those subsidiaries.

During the period, the Group had the following significant transactions with subsidiaries of EIHL and related companies in which EIHL has beneficial interests:

	Six months ended	
	30.9.2002 (unaudited) HK\$'000	30.9.2001 (unaudited) HK\$'000
Sales of goods	321	1,524
Rental charges	2,098	3,142
Advertising income	653	1,020
Management fee and professional fee charges	419	1,079
Printing and publishing income	245	243

These transactions were carried out after negotiations between the Group and the related parties and on the basis of estimated market value as determined by the directors of the Company.

16. POST BALANCE SHEET EVENTS

The following events took place subsequent to the balance sheet date:

- (a) Pursuant to a placing and subscription agreement dated 3rd October, 2002 entered into between the Company and Jade Forest Limited ("Jade Forest"), a substantial shareholder of the Company, on 16th October, 2002, Jade Forest placed 117,800,000 shares of the Company to independent investors at a price of HK\$0.2 per share, and on the same date, Jade Forest subscribed for 117,800,000 shares of the Company at the price of HK\$0.2 per share.
- (b) The Group entered into a sale and purchase agreement dated 4th December, 2002 with independent third parties to acquire the entire equity interest in Dalian Meca Web Communications Technology Company Limited ("Meca") for a cash consideration of HK\$55,000,000. Meca is incorporated in the People's Republic of China as a wholly-owned foreign enterprise and is newly set up to engage in the manufacture of high technology consumer electronic products. A deposit of HK\$5,000,000 was paid on the date of execution of the acquisition.