Notes to the Condensed Financial Statements

For the six months ended 31 March 2003

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

In preparing the condensed financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK$95 million. The directors have been taking steps to improve the Group's liquidity position. On 20 May 2003, the Group entered into conditional agreements ("Agreements"), subject to the approval by the shareholders of the Company, to issue shares to new investors for an aggregate consideration of approximately HK$90 million. Also, a conditional deed of settlement is to be entered into with loan providers to release and discharge the Group from net financial obligations of approximately HK$32.4 million at 31 March 2003 after the settlement of HK$20 million to such loan providers upon successful completion of the Agreements. On the basis that the Agreements for issuing shares to new investors can be successfully completed, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments 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 30 September 2002, except as described below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of the statement of changes in equity, but has no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

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. The principal effect of the implementation of SSAP 34 is in connection with the recognition of costs for the Group's defined contribution retirement benefit plan. The adoption of this SSAP has not had any material effect on the results for the current or prior accounting periods.

3. SEGMENTAL INFORMATION

The Group's turnover and contribution to loss from operations for the six months ended 31 March 2003 analysed by business segments and geographical segments are as follows:

Business segments

Six months ended 31 March 2003

	Investment in securities	Construction, equipment rental and services in Hong Kong	Retail	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(note a)	*(note a)*	
Turnover	–	16,431	34,119	50,550
RESULT				
Segment result	–	(778)	(265)	(1,043)
Unallocated corporate expenses				(1,684)
Loss from operations				(2,727)
Finance costs				(3,253)
Gain on disposal of a subsidiary				4,629
Loss before taxation				(1,351)

3. SEGMENTAL INFORMATION *(Continued)*

Business segments *(Continued)*

Six months ended 31 March 2002

	Continuing operation	Discontinuing operation		
	Investment in securities	Construction, equipment rental and services in Singapore	Trading in Singapore	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(note b)	*(note b)*	
Turnover	3,312	93,979	7,181	104,472
RESULT				
Segment result	(4,295)	(11,104)	(95)	(15,494)
Unallocated corporate expenses				(7,222)
Loss from operations				(22,716)
Finance costs				(1,951)
Share of results of an associate				(633)
Loss before taxation				(25,300)

3. SEGMENTAL INFORMATION *(Continued)*

Geographical segments

An analysis of the Group's revenue by geographical location of its customers is presented below:

	Turnover Six months ended 31 March	
	2003	2002
	HK$'000	*HK$'000*
Singapore *(note b)*	**–**	100,133
Hong Kong *(note a)*	**50,550**	3,211
Others	**–**	1,128
	50,550	104,472

Notes:

(a) In June 2002, the Group acquired 100% interest in Fine Lord Constructions Company Limited ("Fine Lord"), 70% interest in Marcello Foods Limited ("Marcello Food") and 60% interest in Marcello (Tax Free) International Department Store Corporation Limited ("Marcello (Tax Free)"). Fine Lord is mainly engaged in the provision of construction, equipment rental and services in Hong Kong, representing the business segment of construction, equipment rental and services for the period ended 31 March 2003.

Marcello Food and Marcello (Tax Free) are engaged in the retailing of consumer goods, representing the business segment of retail for the period ended 31 March 2003.

(b) In August 2002, the Group disposed of its entire interest in Sum Cheong Corporation Pte. Ltd. ("Sum Cheong"). Sum Cheong is engaged in the construction, equipment rental and services and trading businesses in Singapore. Upon the completion of the disposal, the Group had no interest in Sum Cheong and the business segment of construction, equipment rental and services and trading in Singapore were regarded as discontinuing operation in 2002.

4. LOSS FROM OPERATIONS

	Six months ended 31 March	
	2003	2002
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Depreciation and amortisation		
– Owned assets	**769**	11,159
– Assets held under finance lease	**34**	30
Amortisation of goodwill included in other operating expense	**379**	–
Unrealised loss on investments in securities	**–**	4,295

5. GAIN ON DISPOSAL OF A SUBSIDIARY

During the period, the Company disposed of its entire interest in Denton Capital Investments Limited, with a net liabilities of approximately HK$4,629,000 at the date of disposal, for a consideration of HK$1.

6. TAXATION

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

The taxation charge for the period ended 31 March 2003 represents the underprovision of Hong Kong Profits Tax in previous years.

The taxation charge for the period ended 31 March 2002 represented underprovision for tax in other jurisdictions in previous years.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK$1,400,000 (HK$25,795,000 for the six months ended 31 March 2002) and on the 149,064,233 ordinary shares (149,064,233 ordinary shares for the six months ended 31 March 2002) in issue during the period adjusted for the effect of consolidation of shares as described in note 11.

No diluted loss per share is presented for either period as there are no dilutive ordinary shares in issue.

8. TRADE AND OTHER RECEIVABLES

The credit term granted by the Group to its trade customers normally ranges from 30 to 60 days.

Included in trade and other receivables are trade receivables of approximately HK$4,830,000 (30 September 2002: approximately HK$13,332,000) and their aged analysis is as follows:

	31 March 2003	30 September 2002
	HK$'000	*HK$'000*
0 to 30 days	**2,478**	8,212
31 to 60 days	**2,352**	4,370
61 to 90 days	**–**	352
Over 90 days	**–**	398
	4,830	13,332
Other receivables	**2,057**	33,423
	6,887	46,755

8. TRADE AND OTHER RECEIVABLES *(Continued)*

Included in trade and other receivable at 30 September 2002 is an exchangeable note held by the Group with a carrying value of US$4,150,000 (approximately HK$32,370,000) ("Exchangeable Note") due from Sum Cheong. The Exchangeable Note is unsecured, interest free and entitles the holder at any time before October 2003 to convert into 50% equity interest in CP-Sum Cheong (China) Pte. Ltd. ("Sum Cheong (China)") held by Sum Cheong.

During the period, Sum Cheong entered into a call option agreement ("Call Option Agreement") with Favour Smart Limited ("Favour Smart"), a wholly owned subsidiary of Sum Cheong at the time of the agreement, and C&P China Pte Ltd. ("C&P China"), a company also having 50% equity interest in Sum Cheong (China) whereby Favour Smart upon the receipt of a call option fee of US$415,000 (approximately HK$3,227,000), granted an option to C&P China to require Favour Smart to sell to C&P China the 50% equity interest in Sum Cheong (China) ("Call Option Share"), and, assign and transfer to C&P China all its rights, title, benefits and interests in respect of the loans owing to Sum Cheong by Sum Cheong (China) at an exercise price of US$3,735,000 (approximately HK$29,133,000).

On 14 February 2003, C&P China exercised the option and require Favour Smart to sell to C&P China all of the Call Option Shares at the exercise price of US$3,735,000. At the same time, the Group converted the Exchangeable Note into 50% equity interest in Sum Cheong (China) and held by Favour Smart which became a direct wholly-owned subsidiary of the Company pursuant to the exchange of the Exchangeable Note.

The 50% equity interest in Sum Cheong (China) was then sold to C&P China on 19 February 2003 at a total consideration of US$4,150,000.

The above transactions were completed on 19 February 2003 and the respective cash inflow of HK$32,370,000 is disclosed as cash from investing activities. The transactions contemplated under the Call Option Agreement were approved by the shareholders of the Company at an extraordinary general meeting on 10 February 2003. Details of the transactions were set out in the circulars to the Company's shareholders dated 24 January 2003.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$14,551,000 (30 September 2002: approximately HK$21,608,000) and their aged analysis is as follows:

	31 March 2003 ***HK$'000***	30 September 2002 *HK$'000*
Current to 30 days	**12,035**	10,914
31 to 60 days	**28**	8,903
61 to 90 days	**732**	3
Over 90 days	**1,756**	1,788
	14,551	21,608
Other payables	**11,400**	20,352
	25,951	41,960

10. BANK AND OTHER BORROWINGS

During the period, the Group obtained new borrowings in the amount of HK$25 million from an independent third party. The borrowings bear interest at 2% per annum and are repayable in August 2003. The proceeds were used as the financing for the operation of the Group. In addition, the Group also made repayment of HK$57.4 million.

A conditional deed of settlement is to be entered into by the Company, China Strategic Holdings Limited ("CSH") and Grand Orient Limited, a wholly owned subsidiary of CSH, for the release and discharge of the Group from its net financial obligations of approximately HK$32.4 million at 31 March 2003 following the payment of the settlement sum of HK$20 million upon successful completion of the Agreements (note 1).

11. SHARE CAPITAL

	Number of shares	Value *HK$'000*
Authorised:		
Ordinary shares of HK$0.40 each		
At 1 October 2001, 31 March 2002, 30 September 2002 and 31 March 2003	4,000,000,000	1,600,000
Issued and fully paid:		
Ordinary shares of HK$0.40 each		
At 1 October 2001, 31 March 2002, 30 September 2002 and 31 March 2003	1,490,642,334	596,257

Pursuant to the special resolution passed at the extraordinary general meetings held on 6 February 2003:

– every ten ordinary shares of HK$0.40 each in the issued and unissued share capital of the Company were consolidated into one ordinary share of HK$4.00 each ("Consolidated Share");

– the nominal value of the issued and unissued Consolidated Shares were reduced from HK$4.00 each to HK$0.01 each ("Capital Reduction");

– the credit of approximately HK$594,766,000 arisen as a result of the Capital Reduction were credited to eliminate accumulated losses of the Company;

11. SHARE CAPITAL *(Continued)*

– upon the Capital Reduction becoming effective, the authorized share capital of the Company was increased from HK$4,000,000 to HK$1,600,000,000 by the creation of 159,600,000,000 shares of HK$0.01 each. The new shares rank pari passu with the then existing shares in all respect.

Details of the capital reorganisation ("Capital Reorganisation") were set out in the circular to the Company's shareholders dated 13 January 2003. The Capital Reorganisation was effective on 2 June 2003.

12. CAPITAL COMMITMENTS

At 30 September 2002, the Group was committed to capital expenditure authorised but not contracted for of approximately HK$40,000 in respect of property, plant and equipment.

At 31 March 2003, the Group had no capital commitments.

13. LITIGATION

On 4 May 2001, Guido Giacometti, a trustee of the estate of Mr. Sukamto Sia fka Sukarman Sukamto ("Mr. Sukamto"), a former director and substantial shareholder of the Company, commenced proceedings against the Company in the U.S. Bankruptcy Court in the District of Hawaii claiming against the Company, among other things, the sum of US$594,027 (of which US$500,000 being partial refund of the deposit and US$94,027 being interest accrued upon), together with attorneys' fees and costs. The claim is related to an amount of US$594,027 refunded to the Company by Mr. Sukamto in relation to an investment previously made by the Company through Mr. Sukamto after the Company had decided not to make the investment. However, Mr. Sukamto was subsequently declared bankrupt and therefore the bankruptcy trustee commenced proceedings against the Company in relation to such refund made before Mr. Sukamto's bankruptcy. The Company received the summon and the related documents on 21 September 2001.

13. LITIGATION *(Continued)*

As at the date of this report, the Company is awaiting for hearing of the case. At this stage, the outcome cannot be predicted with certainty. As the Company has made provision of HK$5,000,000 in connection with the claim for the year ended 30 September 2002, the directors are of the opinion that there is unlikely to be any material adverse impact on the Group in the event that the final judgement is not in favour of the Company.

14. PLEDGE OF ASSETS

At 31 March 2003, the bank borrowings of the Group were secured by property, plant and equipment with a carrying value of approximately HK$2,293,000 (30 September 2002: approximately HK$2,318,000).

15. POST BALANCE SHEET EVENTS

The Group had the following significant events subsequent to 31 March 2003:

(a) On 20 May 2003, the Company entered into a conditional subscription agreement with Silver Rich Macau Development Limited, Spring Wise Investments Limited and Leader Assets Limited ("Subscribers"), pursuant to which the Subscribers agreed to subscribe for 1,043,200,000 new shares of HK$0.01 each in the Company at a subscription price of HK$0.0671 per share, amounting to a total consideration of approximately HK$70 million.

(b) On 20 May 2003, the Company entered into a conditional placing agreement with an independent placing agent, in relation to the placing of 298,000,000 new shares of HK$0.01 each in the Company, on a best effort basis, at a placing price of HK$0.0671 per share, amounting to a total consideration of approximately HK$20 million.

15. POST BALANCE SHEET EVENTS *(Continued)*

(c) The Capital Reorganisation of the Company as detailed in note 11 was effective on 2 June 2003.

Except for (c), the above transactions have not been completed up to the date of this report.