

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim consolidated 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 (the "Listing Rules") and the Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The unaudited condensed interim consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and 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 31 March 2003, except as described below.

Taxation

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, and except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of the SSAP has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior adjustment has been made.

2. SEGMENT INFORMATION

	Turnover		Profit (Loss) from operations	
	Six months ended		Six months ended	
	30 September		30 September	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Logistics	6,467	4,176	236	(1,705)
Brewery production	8,442	–	2,842	–
Edible oil	5,162	11,653	(1,370)	(244)
Food and beverage	405	1,545	(622)	(808)
Electronic household appliances	2,023	1,697	70	180
Others	–	496	44,223	(2,357)
	<u>22,499</u>	<u>19,567</u>	<u>45,379</u>	<u>(4,934)</u>
Unallocated corporate expenses			<u>(6,905)</u>	<u>(2,132)</u>
Profit (loss) from operations			<u><u>38,474</u></u>	<u><u>(7,066)</u></u>
By geographical area:				
Hong Kong	1,444	2,519		
The Peoples' Republic of China	<u>21,055</u>	<u>17,048</u>		
	<u><u>22,499</u></u>	<u><u>19,567</u></u>		

The Food and Beverage business, trading of food and beverage products, was disposed of in June 2003.

3. PROFIT (LOSS) FROM OPERATIONS

	Six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
The Group's profit (loss) from operations has been arrived at after charging:		
Depreciation	3,959	2,632
Amortization of goodwill	627	–
Loss on sale of a subsidiary	<u>142</u>	<u>–</u>

4. TAXATION

	Six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong profits tax	–	131
Overseas	<u>–</u>	<u>–</u>
	<u>–</u>	<u>131</u>

Hong Kong profits tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the period.

Overseas taxation is provided on the profits of overseas subsidiaries in accordance with the tax laws of the countries in which the subsidiaries operate.

5. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Six months ended 30 September	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Earnings (loss) for the purpose of calculating basic and diluted earnings per share:		
Net profit (loss) for the period	<u>36,438</u>	<u>(4,907)</u>
Weighted average number of shares for the purpose of calculating basic earnings (loss) per share (in thousands)	<u>4,536,565</u>	<u>2,392,691</u>
Effect of dilutive potential shares (in thousands):		
Warrants	901,533	
Share options	<u>110,071</u>	
Weighted average number of shares for the purpose of calculating diluted earnings (loss) per share (in thousands)	<u>5,548,169</u>	

6. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of accounts receivable at the reporting date:

	At 30 September 2003 (Unaudited) HK\$'000	At 31 March 2003 (Audited) HK\$'000
Less than 3 months	14,274	3,561
3 to 6 months	1,542	2,836
6 to 12 months	466	—
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	16,282	6,397
Other receivables	8,607	9,431
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	24,889	15,828
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7. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable at the reporting date:

	At 30 September 2003 (Unaudited) HK\$'000	At 31 March 2003 (Audited) HK\$'000
Less than 3 months	10,214	668
3 to 6 months	665	904
6 to 12 months	846	355
Over 1 year	879	509
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	12,604	2,436
Other payables	18,297	13,887
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	30,901	16,323
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8. SHARE CAPITAL

	Number of Ordinary shares	Amount HK\$
Ordinary shares of HK\$0.01 each		
Authorized:		
At 30 September 2003	<u>8,000,000,000</u>	<u>80,000,000</u>
Issued and fully paid:		
At 30 September 2003	<u>4,536,565,000</u>	<u>45,365,650</u>

There were no movements in the share capital of the Company in the current period.

9. WARRANTS

Pursuant to the Scheme which became effective on 26 August 2002, the Company issued 901,533,000 warrants and each warrant carries the right to subscribe in cash for one share in the Company, credited as fully paid, at a subscription price of HK\$0.023 each.

The warrants can be exercised at any time during the two years from the date of issue of the warrants up to and including 25 August 2004. No warrants were exercised during the period. Exercise in full of such warrants would result in the issue of 901,533,000 shares of HK\$0.01 each.

10. SHARE OPTION SCHEME

The Company adopted the new share option Scheme on 21 June 2002. This Scheme enables the Company to grant share options to eligible persons as an incentive or reward for their contributions to the Company. The terms of the new share option Scheme fully comply with the provisions of Chapter 17 of the Listing Rules. On 20 May 2003, options amounting to 149,500,000 shares were granted to eligible persons including the directors of the Company.

11. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 1 April 2003	26,725	402,101	721	5,498	(374,075)	60,970
Exchange differences arising on translation of financial statements of overseas operations				(145)		(145)
Net profit for the period	—	—	—	—	36,438	36,438
At 30 September 2003	<u>26,725</u>	<u>402,101</u>	<u>721</u>	<u>5,353</u>	<u>(337,637)</u>	<u>97,263</u>

12. CAPITAL COMMITMENTS

	At 30 September 2003 (Unaudited) HK\$'000	At 31 March 2003 (Audited) HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of		
– Acquisition of property, plant and equipment	24	24
– Investment projects	<u>1,229</u>	<u>1,229</u>
	<u>1,253</u>	<u>1,253</u>

13. PLEDGE OF ASSETS

At 30 September 2003, certain of the Group's leasehold land, buildings and plant and machinery with an aggregate carrying value of HK\$700,000 (31 March 2003: HK\$700,000), HK\$112,231,000 (31 March 2003: HK\$113,041,000), and HK\$15,011,000 (31 March 2003: HK\$16,906,000) respectively, were pledged to banks to secure loan facilities granted to the Group.

14. ACQUISITION OF A SUBSIDIARY

On 23 July 2003, the Group acquired 40% of the equity interest of Wuxi Dransfield Broadsino Beverage Co., Ltd. from the Chinese shareholder for a cash consideration of HK\$2.4 million. This company then became a wholly owned subsidiary of the Group. This transaction has been accounted for using the purchase method of accounting. It was accounted for as a jointly controlled entity as at 31 March 2003.

The effects of the acquisition is summarized as follows:

	HK\$'000
Net assets acquired	679
Goodwill arising on acquisition	1,715
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Cash consideration	2,394
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Net cash outflow arising from on acquisition	
Cash consideration	(2,394)
Bank balances and cash acquired	153
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	<u>(2,241)</u>

15. POST BALANCE SHEET EVENT

On 5 December 2003, the Group subscribed for 21 million shares in Shenzhen SEG Scientific Navigations Co. Ltd. at RMB1.35 per share for a total cash consideration of RMB28.35 million representing 35% of the enlarged share capital of Shenzhen SEG Scientific Navigations Co. Ltd. Details of the acquisition are set out in the Company's press announcement dated 8 December 2003 and a circular to shareholders will be issued shortly.

16. RELATED PARTY TRANSACTIONS

During the period, the Group charged an investee management fee income of HK\$750,000. The transaction was carried out at terms determined and agreed by the relevant parties.

17. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period (2002: nil).

18. COMPARATIVE FIGURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Board of Directors (the "Board") has great pleasure in announcing the interim results of the Company and its subsidiaries (the "Group") for the half year ended 30 September 2003; these results record a profit for the period of HK\$36 million.

The profit was mainly attributable to the realization of part of the Company's investment in DF China Technology Inc. ("DFCT") together with the revaluation, to market value at 30 September 2003, of the remaining holding in that company. DFCT is listed on the Nasdaq Small Cap Stock Market and is engaged in the paper industry.

Review of Operations

Since the completion of the Scheme of Arrangement on 26 August 2002, the Board continued to dispose of non-core assets, and discontinued certain non-core and continuing loss businesses.

Due to keen competition in the edible oil manufacturing business in Shenyang, operations continued at a loss and have now been discontinued. The vending machine business was sold in June 2003 and management is currently considering discontinuing the home appliances business.

On 30 April 2003, the Company together with other shareholders of DFCT holding in aggregate in excess of 50% of DFCT's voting rights, resolved to change certain directors on that company's board and Dr. Fan Di was appointed Chairman and