



Notes to the Condensed Financial Statements

For the six months ended 30th September, 2003

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 the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" 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 valuation of investment properties and certain 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 31st March, 2003, except as described below.

During the period, the Group adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis 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 SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior year adjustment has been required.

3. Turnover

Turnover represents the net amounts received and receivable from sales of securities, interest income from provision of finance and note receivable, property rentals and dividend income during the period, and is analysed as follows:

	For the six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Sales of securities	-	2,960
Interest income from provision of finance and note receivable	10,634	7,132
Property rentals	-	1,499
Dividend income from investments in securities	14	-
	<u>10,648</u>	<u>11,591</u>

4. Segment information

The Group is organised into four main operating segments: provision of finance, trading of securities, property holding and investment and investment activities.

These divisions are the bases on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

Business segments

	For the six months ended 30th September, 2003				
	Provision of finance	Trading of securities	Property holding and investment	Investment activities	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
SEGMENT REVENUE	<u>10,634</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>10,648</u>
SEGMENT RESULTS	<u>10,303</u>	<u>2,772</u>	<u>512</u>	<u>(5,535)</u>	<u>8,052</u>
Unallocated corporate expenses					<u>(6,287)</u>
Profit from operations					1,765
Interest on bank and other borrowings wholly repayable within five years					(52)
Profit on disposal of subsidiaries					<u>500</u>
Profit before taxation					2,213
Taxation					<u>-</u>
Profit before minority interests					2,213
Minority interests					<u>1,887</u>
Net profit for the period					<u>4,100</u>



6. Other operating expenses

	For the six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Included in other operating expenses are:		
Impairment loss recognised in respect of intangible asset	5,660	–
Loss on disposal of property, plant and equipment	27	–
Unrealised loss on other investments	–	98
	<u>5,687</u>	<u>98</u>

7. Profit (loss) from operations

	For the six months ended 30th September,	
	2003	2002
	HK\$'000	HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Depreciation	334	438
and after crediting:		
Unrealised gain on other investments	2,765	–
	<u>3,100</u>	<u>438</u>

8. Taxation

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for both periods.

During the period, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment.

No deferred tax asset has been recognised in respect of tax losses and deductible temporary differences due to the unpredictability of future profit streams. At 30th September, 2003, the Group has unrecognised deferred tax asset in respect of tax losses of HK\$8,806,000 (31.3.2003: HK\$9,313,000) and aggregate deductible temporary differences associated with property, plant and equipment and intangible asset of HK\$863,000 (31.3.2003: nil).

9. Dividend

No dividend was paid by the Company during the period (1.4.2002 to 30.9.2002: nil).

10. Earnings (loss) per share

The calculation of the basic earnings (loss) per share for the period is based on the net profit for the period of HK\$4,100,000 (1.4.2002 to 30.9.2002: net loss of HK\$631,000) and on 3,116,124,045 (1.4.2002 to 30.9.2002: 3,116,124,045) ordinary shares in issue.

11. Property, plant and equipment

During the period, the Group acquired and disposed of property, plant and equipment with a carrying value of HK\$74,000 (1.4.2002 to 30.9.2002: HK\$47,000) and HK\$27,000 (1.4.2002 to 30.9.2002: nil), respectively.

12. Intangible asset

The intangible asset of the Group represents the technology of Global Positioning Security System ("GPSS") and it is amortised over its estimated useful life of 3 years. The operation of the GPSS has not commenced and, accordingly, no amortisation of the intangible asset has been provided.

In the opinion of the directors, the underlying value of the intangible asset at 30th September, 2003 was not less than its carrying value.

13. Other receivables

At 31st March, 2003, other receivables of the Group included sales proceeds on disposal of properties held for resale and a refundable deposit on the cancellation of acquisition of a subsidiary amounting to HK\$28,000,000 and HK\$28,843,000, respectively. The amounts were settled during the period.

14. Short-term loans

	30.9.2003	31.3.2003
	HK\$'000	HK\$'000
The short-term loans, net of allowances, comprise:		
Unsecured loans	274,515	196,848
Secured loan (<i>Note below</i>)	50,000	50,000
	<u>324,515</u>	<u>246,848</u>

The short-term loans bear interest at prevailing market rate and are due for repayment within one year.

The Group negotiates credit period with borrowers according to the credit of individual borrower.

Note: The secured loan is secured by pledge of shares of property holding companies ("Property Companies") which are under the control of the borrower. Pursuant to the agreement between the Group and the borrower, the Group was granted a call option to require the borrower to sell all of the shares of the Property Companies to the Group.

15. Disposal of subsidiaries

During the period, the Group disposed of certain subsidiaries. The effect of the disposal is summarised as follows:

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	230
Short-term loans	23,949
Bank balances and cash	1,551
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	25,730
Profit on disposal of subsidiaries	500
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	26,230
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Satisfied by:	
Cash consideration received	26,230
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Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:	
Cash consideration received	26,230
Bank balances and cash disposed of	(1,551)
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Net inflow of cash and cash equivalents in connection with the disposal of subsidiaries	24,679
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The subsidiaries disposed of did not contribute significantly to the Group's operating results during the period.

**16. Commitments**

	30.9.2003	31.3.2003
	HK\$'000	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	–	170,913
	<u>–</u>	<u>170,913</u>