



NOTES TO CONDENSED INTERIM ACCOUNTS


1. Basis of preparation and accounting policies

In preparing these interim accounts, the Directors have taken into account all information that could reasonably be expected to be available and have ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Under these circumstances, the Directors consider that it is proper to prepare the accounts on a going concern basis notwithstanding that at 30 September 2003, the accumulated losses of the Group amounted to HK\$2,639,174,000 and that its current liabilities exceeded its current assets by HK\$58,928,000.

These unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the annual accounts for the year ended 31 March 2003.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2003 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 (revised) "Income Taxes" and SSAP 29 "Intangible Assets" issued by the Hong Kong Society of Accountants which have become effective for accounting periods commencing on or after 1 January 2003 and 1 January 2001 respectively.



The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) *SSAP 12 "Deferred Taxation"*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The adoption of SSAP 12 (revised) had no significant effect on the results for the current or prior accounting periods.

(b) *SSAP 29 "Development Cost"*

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

Certain comparative amounts have been reclassified to conform with the current period's presentation.

2. Segment information

The Group is principally engaged in property investment and provision of technology related services.

Primary reporting format – business segments

	Property investment		Technology related services		Total	
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>9,354</u>	<u>8,853</u>	<u>6,423</u>	<u>7,398</u>	<u>15,777</u>	<u>16,251</u>
Segment results	<u>7,221</u>	<u>5,291</u>	<u>(15,047)</u>	<u>(1,222)</u>	<u>(7,826)</u>	4,069
Unallocated costs					(4,843)	(4,067)
Other revenues					641	3,523
Provision for long term receivable					(3,725)	-
Written back of provision for diminution in value of other investments					-	1,458
Operating (loss)/profit					(15,753)	4,983
Finance costs					(2,273)	(3,362)
(Loss)/profit for the period					(18,026)	1,621
Minority interests					149	-
(Loss)/profit attributable to shareholders					<u>(17,877)</u>	<u>1,621</u>

The Group is organized into two main business segments:

Property investment
Technology related services

There are no sales or other transactions between business segments. Unallocated costs represent corporate expenses.

Secondary reporting format – geographical segments

Although the Group's two business segments are managed on a worldwide basis, they operate in two main geographical areas:

Hong Kong: Property investment and the provision of technology related services
Mainland China: Provision of technology related services

There are no sales or other transactions between geographical segments.

	Turnover		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal markets				
Hong Kong	9,354	8,881	2,377	6,927
Mainland China	6,423	7,370	(15,046)	(6,925)
	<u>15,777</u>	<u>16,251</u>	(12,669)	2
Other revenues			641	3,523
Provision for long term receivable			(3,725)	–
Written back of provision for diminution in value of other investments			–	1,458
Operating (loss)/profit			<u>(15,753)</u>	<u>4,983</u>



3. Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
<i>Crediting</i>		
Provision for termination costs written back	-	6,382
Gain on disposal of fixed asset	<u>152</u>	<u>-</u>
<i>Charging</i>		
Depreciation	360	2,382
Amortisation of development costs	13	-
Operating lease rentals in respect of land and buildings	1,517	2,053
Outgoings in respect of investment properties	1,805	2,687
Staff costs	9,371	9,475
Provision for staff termination cost	1,500	-
Operating costs in respect of technology related services	6,418	5,882
Write-off of fixed assets	<u>288</u>	<u>-</u>

4. Taxation

Hong Kong profits tax has not been provided as there is no assessable profit for the period (2002: Nil). Taxation in the mainland China has been calculated on the assessable profit for the period at the rates of taxation prevailing in the mainland China.

There was no material unprovided deferred taxation for the period (2002: Nil).

5. **(Loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$17,877,000 (2002: profit of HK\$1,621,000) and on the weighted average number of shares in issue during the period of 5,824,961,161 shares (2002: 4,803,598,108 shares).

Diluted loss per share for the six months ended 30 September 2003 is not presented as the exercise of the outstanding share options of the Company would have anti-dilutive effect.

The calculation of diluted earnings per share for the six months ended 30 September 2002 is based on the Group's profit attributable to shareholders of HK\$1,621,000 for the said period and 4,806,359,196 shares which is the weighted average number of shares in issue during the said period of 4,803,598,108 shares plus the weighted average of 2,761,088 shares deemed to be issued at no consideration if all outstanding options had been exercised.

6. **Capital expenditure**

	Intangible asset HK\$'000	Property, plant and equipment HK\$'000
Net book value as at 1 April 2003	–	360,490
Development costs recognised as an asset	755	–
Additions during the period	–	1,274
Written off during the period	–	(288)
Depreciation/amortisation charge	(13)	(360)
	<hr/>	<hr/>
Net book value as at 30 September 2003	<u>742</u>	<u>361,116</u>



7. Long term receivable

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Opening carrying value	10,657	–
Proceeds on sale of investment in Draper Fisher Jurvetson ePlanet Ventures L.P.	–	23,663
Less: provision for impairment	<u>(3,725)</u>	<u>(13,006)</u>
Closing carrying value	<u><u>6,932</u></u>	<u><u>10,657</u></u>

8. Trade receivables

The Group's credit terms on provision of services range from 30 to 60 days. The ageing analysis of trade receivables is as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Current to 30 days	586	704
31 to 60 days	249	220
61 to 90 days	410	498
Over 90 days	<u>1,547</u>	<u>2,619</u>
	<u><u>2,792</u></u>	<u><u>4,041</u></u>

9. Cash and bank balances

Included in cash and bank balances was an amount of HK\$6,500,000 (31 March 2003: HK\$6,068,000) which had been pledged as security for banking facilities granted to the Group.

10. Trade creditors, deposits and accruals

Included in the Group's trade creditors, deposit and accruals were trade payables and the ageing analysis of trade creditors was as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Current to 30 days	295	237
31 to 60 days	34	64
61 to 90 days	7	12
91 to 120 days	175	1,348
	<u>511</u>	<u>1,661</u>

11. Long term loans

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Secured bank loans not wholly repayable within five years	123,500	104,500
Amount due within one year included under current liabilities	<u>(11,500)</u>	<u>(10,500)</u>
	<u>112,000</u>	<u>94,000</u>

The Group's secured bank loans were repayable as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Within one year	11,500	10,500
In the second year	13,500	12,500
In the third to fifth year inclusive	43,750	43,250
After the fifth year	54,750	38,250
	<u>123,500</u>	<u>104,500</u>

12. Short term loan

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Unsecured		
Other loan	<u>48,763</u>	<u>48,763</u>

Other short term loan represents a loan obtained from New World Finance Company Limited, a wholly-owned subsidiary of New World Development Company Limited, a former substantial shareholder of the Company, which carries interest at 2% over Hong Kong Interbank Offer Rate. The loan was previously repayable on or before 1 October 2003. During the period, the credit period has been further extended for a period of one year up to 1 October 2004.

13. Share capital

(a) *Authorised and issued share capital*

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Authorised:		
15,000,000,000 shares of HK\$0.02 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
5,824,961,161 shares of HK\$0.02 each	<u>116,499</u>	<u>116,499</u>

(b) *Share options*

(i) Movements of share options granted under the share option schemes of the Company during the period were as follows:

Date of grant	Exercise price HK\$	Number of shares subject to options				As at 30 September 2003
		As at 1 April 2003	Granted during the period	Exercised during the period	Lapsed during the period	
22 July 2000	0.2395	6,000,000	-	-	(6,000,000)	-
16 November 2000	0.1552	4,350,000	-	-	-	4,350,000
17 April 2002	0.0520	71,276,000	-	-	(3,904,000)	67,372,000
		<u>81,626,000</u>	<u>-</u>	<u>-</u>	<u>(9,904,000)</u>	<u>71,722,000</u>

- (ii) Pursuant to a sale and purchase agreement dated 23 January 2002 relating to the acquisition of the entire issued share capital of a subsidiary, the Company has granted on 4 February 2002 options to subscribe for such number of new shares of the Company as shall have the value of up to HK\$15,600,000 in aggregate. Such options are exercisable during the period from 4 February 2002 up to and including 31 December 2005 at the subscription prices of: (i) HK\$0.15 per share from 4 February 2002 up to and including 31 December 2004; and (ii) HK\$0.20 per share from 1 January 2005 up to and including 31 December 2005. None of such share options were exercised during the period.

14. Commitments

(a) Capital commitments

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Contracted but not provided for:		
– in respect of other investments	4,201	4,201
– in respect of investment in a related company	<u>1,676</u>	<u>1,676</u>
	<u><u>5,877</u></u>	<u><u>5,877</u></u>

(b) *Lease commitments*

At 30 September 2003, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Not later than one year	171	2,143
Later than one year and not later than five years	<u>656</u>	<u>1,786</u>
	<u>827</u>	<u>3,929</u>

(c) *Future minimum rental payments receivable*

The Group's operating leases are for terms of 1 to 3 years. The future minimum rental payments receivable under non-cancellable leases are as follows:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Not later than one year	10,954	12,392
Later than one year and not later than five years	<u>1,865</u>	<u>6,483</u>
	<u>12,819</u>	<u>18,875</u>

15. Related party transactions

Principal transactions with related companies, which were carried out in the normal course of the Group's business during the period are summarised as follows:

	Six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Services fee to a related company (<i>note a</i>)	–	1,158
Rental and office administrative expenses paid to a related company (<i>note b</i>)	237	–
Reimbursement of rental and office administrative expenses from a related company (<i>note c</i>)	<u>37</u>	<u>1,116</u>

Notes:

- (a) Services fee was charged for the provision of financial advisory services. The terms and prices were negotiated at arm's length basis.
- (b) The amount was charged for the provision of office space and sharing of office administrative expenses actually incurred. Rental expense was charged with reference to the market rental. Administrative expenses were charged on actual basis taking into account the headcount and/or area occupied.
- (c) The amount was reimbursed for the provision of office space and sharing of office administrative expenses actually incurred. Rental expense was charged with reference to the market rental. Administrative expenses were re-imbursed on actual basis taking into account the headcount and/or area occupied.