

Notes To The Condensed Financial Statements

For the six months ended 30th September, 2004

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public 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, 2004.

3. Turnover

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

| | For the six months ended 30th September, | |
|--|---|---------------|
| | 2004 | 2003 |
| | HK\$’000 | HK\$’000 |
| Sales of goods | 18,110 | – |
| Interest income from provision of finance | 15,997 | 10,634 |
| Dividend income from investments in securities | 1 | 14 |
| | <u>34,108</u> | <u>10,648</u> |

4. Segment information

The Group is organised into five (1.4.2003 to 30.9.2003: four) main operating segments: trading of goods, provision of finance, trading of securities, property holding and investment and investment activities.

During the current period, the Group commenced the business of trading of goods and this segment information is included.

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, 2004 | | | | | Consolidated HK\$'000 |
|--------------------------------|---|-------------------------------------|------------------------|------------------------|--------------------------------------|--------------------------|
| | Trading of goods HK\$'000 | Provision of finance HK\$'000 | Property | | Investment activities HK\$'000 | |
| | | | Trading of | holding and | | |
| | | | securities HK\$'000 | investment HK\$'000 | | |
| TURNOVER | <u>18,110</u> | <u>15,997</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>34,108</u> |
| SEGMENT RESULTS | <u>324</u> | <u>14,826</u> | <u>(55)</u> | <u>(105)</u> | <u>(4)</u> | <u>14,986</u> |
| Unallocated corporate expenses | | | | | | <u>(5,122)</u> |
| Profit from operations | | | | | | <u>9,864</u> |

| | For the six months ended 30th September, 2003 | | | | | Consolidated HK\$'000 |
|--------------------------------|---|--------------------------------------|---------------------------------------|------------------------|--------------------------------------|--------------------------|
| | Provision of finance HK\$'000 | Trading of securities HK\$'000 | Property | | Investment activities HK\$'000 | |
| | | | holding and | investment | | |
| | | | holding and investment HK\$'000 | investment HK\$'000 | | |
| TURNOVER | <u>10,634</u> | <u>14</u> | <u>-</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>-</u> | <u>8,052</u> |
| Unallocated corporate expenses | | | | | | <u>(6,287)</u> |
| Profit from operations | | | | | | <u>1,765</u> |

5. Investment income

**For the six months
ended 30th September,**
2004 **2003**
HK\$'000 **HK\$'000**

Investment income comprises:

Interest income from:

| | | |
|--------|----------|------------|
| Banks | – | 41 |
| Others | – | 199 |
| | <u>–</u> | <u>199</u> |
| | <u>–</u> | <u>240</u> |

6. Other operating expenses

**For the six months
ended 30th September,**
2004 **2003**
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 |
| | <u>–</u> | <u>5,687</u> |

7. Profit from operations

**For the six months
ended 30th September,**
2004 **2003**
HK\$'000 **HK\$'000**

Profit from operations has been arrived at
after charging (crediting):

| | | |
|---|------------|------------|
| Unrealised loss (gain) on other investments | 49 | (2,765) |
| Depreciation | 89 | 334 |
| | <u>138</u> | <u>334</u> |

8. Taxation

The charge for the current period represents Hong Kong Profits Tax calculated at 17.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made for the period ended 30th September, 2003 as neither the Company nor its subsidiaries had any assessable profit for that period.

No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams. At 30th September, 2004, the Group has unused tax losses of HK\$47,289,000 (31.3.2004: HK\$52,691,000). The tax losses may be carried forward indefinitely.

9. Dividend

No dividend was paid by the Company during the period (1.4.2003 to 30.9.2003: nil).

10. Earnings per share

The calculation of the basic earnings per share for the period is based on the net profit for the period of HK\$9,058,000 (1.4.2003 to 30.9.2003: HK\$4,100,000) and on the weighted average of 3,654,238,799 (1.4.2003 to 30.9.2003: 3,116,124,045) ordinary shares in issue.

Diluted earnings per share for the period ended 30th September, 2004 has not been presented as the exercise price of the Company's outstanding share options was higher than the average market price for share for the period. There were no potential ordinary shares outstanding during the prior period.

11. Investment properties and property, plant and equipment

During the period, the Group acquired property, plant and equipment with a carrying value of HK\$44,000 (1.4.2003 to 30.9.2003: HK\$74,000).

At 30th September, 2004, the directors have considered the carrying amount of the Group's investment properties and have estimated that the carrying amounts do not differ significantly from that which would be determined using open market value based on independent professional valuation at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

12. Loans receivable

| | 30.9.2004 | 31.3.2004 |
|--|------------------|-----------|
| | HK\$'000 | HK\$'000 |
| The loans receivable comprise: | | |
| Unsecured long-term loans receivable | 205,000 | 165,616 |
| Unsecured short-term loans receivable | 212,270 | 179,699 |
| | 417,270 | 345,315 |
| Less: Amount due within one year shown under current assets | (212,270) | (179,699) |
| Amount due over one year | 205,000 | 165,616 |

The loans receivable bear interest at prevailing market rate.

13. Trade and other receivables

The Group allows an average credit period of 30 days to its trade customers. At 30th September, 2004, all trade receivables of the Group amounting to HK\$9,110,000 (31.3.2004: nil) are aged within 60 days.

At 31st March, 2004, other receivables of the Group included sales proceeds from disposal of two subsidiaries, amounting to HK\$43,000,000, out of which, HK\$30,000,000 has been settled during the period.

14. Deposits made on acquisition of a subsidiary

In March 2004, the Group entered into an agreement to acquire the entire equity interest in 深圳市方達電子產品有限公司 from two independent third parties for an aggregate consideration of RMB3,500,000 (equivalent to HK\$3,285,000). A deposit of RMB2,500,000 (equivalent to HK\$2,342,000) had been paid by the Group at 31st March, 2004.

During the period, the agreement was terminated and the deposit was fully refunded.

15. Trade and other payables

At 30th September, 2004, all trade payables of the Group amounting to HK\$11,748,000 (31.3.2004: nil) are aged within 60 days.

16. Share capital

Pursuant to a placing agreement entered into on 5th May, 2004, the Company issued 240,000,000 ordinary shares of HK\$0.01 each at HK\$0.052 to independent third parties.

17. Commitments

| | 30.9.2004 | 31.3.2004 |
|---|--------------------|----------------------|
| | HK\$'000 | HK\$'000 |
| Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of a subsidiary | <u> —</u> | <u> 943</u> |