

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2004.

2. Segmental information

(a) Business segments

The following tables present revenues and results of the Group’s business segments for the six months ended 30 September 2004 and 2003 respectively:

2004

	General import and export trading HK’000	Securities dealing and broking HK’000	Financing HK’000	Property development and investment HK’000	Strategic investments HK’000	Corporate HK’000	Others HK’000	Eliminations HK’000	Consolidated HK’000
Segmental revenue:									
External sales	46,294	2,163	3,790	-	-	-	-	-	52,247
Other revenue	176	349	3,337	-	23,919	2	9	-	27,792
Inter-segment sales	-	716	-	480	-	6,758	-	(7,954)	-
Total revenue	<u>46,470</u>	<u>3,228</u>	<u>7,127</u>	<u>480</u>	<u>23,919</u>	<u>6,760</u>	<u>9</u>	<u>(7,954)</u>	<u>80,039</u>
Segment results	<u>807</u>	<u>714</u>	<u>5,867</u>	<u>(138)</u>	<u>(3,226)</u>	<u>(1,313)</u>	<u>(7,987)</u>	<u>-</u>	<u>(5,276)</u>
Interest and dividend income and unallocated gains									<u>21</u>
Loss from operations									<u>(5,255)</u>
Finance costs									<u>(3,642)</u>
Loss before taxation									<u>(8,897)</u>
Taxation									<u>(250)</u>
Loss before minority interests									<u>(9,147)</u>
Minority interests									<u>1,817</u>
Net loss for the period									<u>(7,330)</u>

2. Segmental information (Continued)

(a) Business segments (Continued)

2003

	General import and export trading HK'000	Securities dealing and broking HK'000	Financing HK'000	Property development and investment HK'000	Strategic investments HK'000	Corporate HK'000	Others HK'000	Eliminations HK'000	Consolidated HK'000
Segmental revenue:									
External sales	52,627	2,549	9,474	72	-	-	-	-	64,722
Other revenue	161	418	338	-	1,482	184	-	-	2,583
Inter-segment sales	-	463	-	-	-	7,700	-	(8,163)	-
Total revenue	<u>52,788</u>	<u>3,430</u>	<u>9,812</u>	<u>72</u>	<u>1,482</u>	<u>7,884</u>	<u>-</u>	<u>(8,163)</u>	<u>67,305</u>
Segment results	<u>1,661</u>	<u>(411)</u>	<u>23,088</u>	<u>(837)</u>	<u>(75,188)</u>	<u>(4,142)</u>	<u>691</u>	<u>-</u>	<u>(55,138)</u>
Interest and dividend income and unallocated gains									<u>18,840</u>
Loss from operations									<u>(36,298)</u>
Finance costs									<u>(4,507)</u>
Loss before taxation									<u>(40,805)</u>
Taxation									<u>1,294</u>
Loss before minority interests									<u>(39,511)</u>
Minority interests									<u>9,720</u>
Net loss for the period									<u>(29,791)</u>

(b) Geographical segments

The following table presents revenue of the Group's geographical segments for the six months ended 30 September 2004 and 2003 respectively:

	Hong Kong		Europe		North America		Others		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000	HK'000
Segmental revenue:										
External sales	<u>18,867</u>	<u>26,239</u>	<u>32,802</u>	<u>36,089</u>	<u>-</u>	<u>2,216</u>	<u>578</u>	<u>178</u>	<u>52,247</u>	<u>64,722</u>

3. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	698	663
Staff costs	6,275	8,699

4. Taxation

Hong Kong Profits Tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the current period. Taxation in other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

	Six months ended	
	30 September	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong		
Provision of Profits Tax for current period	(250)	-
Overprovision in prior periods	-	1,346
	(250)	1,346
Elsewhere	-	(52)
	(250)	1,294

5. Dividends

The Board declared to pay an interim dividend of HK\$0.025 (the "Cash Dividend"), totaling HK\$467,797, for every 100 shares of the Company held at 6 January 2005.

Other than the Cash Dividend, the Board also declared an interim dividend in specie that will be satisfied by the distribution of one share of each of M Dream Inworld Limited ("M Dream") and B.A.L. Holdings Limited ("B.A.L.") and two shares of Riverhill Holdings Limited ("Riverhill") for every 100 shares of the Company held at 6 January 2005.

On the basis of 1,871,188,679 issued shares of the Company at the date of approval of the interim report, 18,711,887 shares of HK\$0.01 each of M Dream, 18,711,887 Shares of HK\$0.01 each of B.A.L. and 37,423,774 shares of HK\$0.1 each of Riverhill will be distributed (the "Distribution Shares"). The net carrying value of the Distribution Shares at the balance sheet date was approximately HK\$1,677,000.

The dividend warrants of the Cash Dividend and the share certificates of the Distribution Shares are expected to be dispatched to the shareholders at about 21 January 2005.

5. Dividends (Continued)

No fractional Distribution Shares will be distributed to shareholders of the Company under the distribution. Fractional entitlements to Distribution Shares will be aggregated and sold for the benefit of the Company.

6. Loss per share

The calculation of loss per share is based on the net loss of HK\$7,330,000 for the six months ended 30 September 2004 (2003: HK\$29,791,000) and the weighted average number of 1,871,188,679 shares (2003: 1,668,113,611 shares) in issue during the period.

Diluted loss per share for the periods ended 30 September 2004 and 2003 have not been disclosed, as the options outstanding during both periods had an anti-dilutive effect on the basic loss per share for these periods.

7. As the contractual joint venture (the "CJV") partner (the "CJV Partner") had unilaterally decided to relocate the toll station of the National Highway 318 ("Toll Road"), the Group is not expected to receive any more dividends from the CJV. The Group therefore decided to dispose of its interest in the CJV to the CJV Partner. As a result, the Group's interest in the CJV was stated at its net realizable value and classified as current assets.

8. Loans receivable

An aged analysis of loans receivable is as follows:

	As at 30 September 2004 (Unaudited) HK\$ '000	As at 31 March 2004 (Audited) HK\$ '000
Within 6 months	7,897	25,532
Between 7 to 12 months	8,949	14,824
Over 1 year	90,771	75,855
	<u>107,617</u>	<u>116,211</u>
Provision for doubtful debts	(53,119)	(56,014)
	<u><u>54,498</u></u>	<u><u>60,197</u></u>

9. Accounts receivable

An aged analysis of accounts receivable is as follows:

	As at 30 September 2004 (Unaudited) <i>HK\$'000</i>	As at 31 March 2004 (Audited) <i>HK\$'000</i>
Within 6 months	13,074	9,303
Between 7 to 12 months	29	351
Over 1 year	<u>588</u>	<u>4,338</u>
	13,691	13,992
Provision for doubtful debts	<u>(624)</u>	<u>(4,614)</u>
	<u><u>13,067</u></u>	<u><u>9,378</u></u>

10. Accounts payable, other payables and accruals

An aged analysis of accounts payable is as follows:

	As at 30 September 2004 (Unaudited) <i>HK\$'000</i>	As at 31 March 2004 (Audited) <i>HK\$'000</i>
Within 6 months	11,208	16,875
Between 7 to 12 months	929	660
Over 1 year	<u>5,448</u>	<u>4,835</u>
Accounts payable	17,585	22,370
Other payables and accruals	<u>12,390</u>	<u>11,885</u>
	<u><u>29,975</u></u>	<u><u>34,255</u></u>

11. Interest-bearing bank loans

	As at 30 September 2004 (Unaudited) HK\$ '000	As at 31 March 2004 (Audited) HK\$ '000
Bank loans, secured	109,748	120,697
Bank overdrafts, secured	<u>11,103</u>	<u>7,866</u>
Total bank loans	120,851	128,563
Less: Portion classified as current liabilities	<u>(17,999)</u>	<u>(48,572)</u>
Long term portion	<u><u>102,852</u></u>	<u><u>79,991</u></u>
Bank loans and overdrafts are repayable:		
Within one year	17,999	48,572
In the second year	87,610	19,039
In the third to fifth years, inclusive	5,688	50,450
Beyond five years	<u>9,554</u>	<u>10,502</u>
	<u><u>120,851</u></u>	<u><u>128,563</u></u>

The Group's bank loans and overdrafts are secured by:

- (i) margin clients' listed securities under the securities dealing and broking business;
- (ii) marketable securities of secured loan borrowers under the financing business;
- (iii) the Group's investment property and property held for redevelopment situated in Hong Kong;
- (iv) a time deposit of the Group; and
- (v) investment in a joint venture.

12. Share capital

	As at 30 September 2004 (Unaudited) HK\$ '000	As at 31 March 2004 (Audited) HK\$ '000
<i>Authorised:</i>		
200,000,000,000 ordinary shares of HK\$0.01 each	<u><u>2,000,000</u></u>	<u><u>2,000,000</u></u>
<i>Issued and fully paid:</i>		
1,871,188,679 ordinary shares of HK\$0.01 each	<u><u>18,712</u></u>	<u><u>18,712</u></u>

13. Share options

The Company operates a share option scheme (the “Scheme”) for the purpose of attracting and retaining quality personnel and other persons and providing them with incentive to contribute to the business and operation of the Group. Under the Scheme which was approved and adopted in a special general meeting of the Company held on 23 August 2002, the directors may, within a period of 10 years, grant options to any director, employee or consultant of the Group to subscribe for shares in the Company.

The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder, or to any of their associates, are subject to approval in advance by the independent non-executive directors.

The exercise price of the share options is determined by directors, but may not be less than the higher of (i) the closing price of the shares quoted by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant of the share options; and (ii) the average closing price of the shares quoted by the Stock Exchange for the five trading days immediately preceding the date of the grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

The following was the share option movements under the Scheme during the period:

Name of grantee	Number of share options				At 30 September 2004	Date of grant of share options	Exercise period of share options	Exercise price per share HK\$
	At 1 April 2004	Granted during the period	Exercised during the period	Cancelled during the period				
Director								
Mr. Johnny Wing Fai Tam	17,000,000	-	-	-	17,000,000	13 November 2003	13 Nov 2003 – 12 Nov 2006	0.0228
Employee A								
	14,549,800	-	-	-	14,549,800	20 June 2003	20 Jun 2003 – 19 Jun 2006	0.0148
Employee B								
	17,000,000	-	-	-	17,000,000	13 November 2003	13 Nov 2003 – 12 Nov 2006	0.0228
Total	<u>48,549,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,549,800</u>			

As at 30 September 2004, the Company had 48,549,800 share options outstanding under the Scheme.

14. Contingent liabilities

As at 30 September 2004, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with the banking facilities granted to certain subsidiaries, of which HK\$28,826,000 (31 March 2004: HK\$38,358,000) had been utilized at 30 September 2004.

15. Litigations

- (1) On 1 December 2004, the Company, as a guarantor, received a writ of summons dated 30 November 2004 from the solicitors acting for C.A. Pacific Finance Limited (in liquidation) to claim a sum of HK\$1,197,349.50 (the "Claimed Amount") which was due by Eastex Investment Far East Limited (formerly known as Styland Investment Far East Limited), a former subsidiary of the Company that was disposed in December 1997 (the "CAP Case"). The Company shall seek legal advice on this. As the Claimed Amount is relatively small compared to the net assets value of the Company, the Directors do not consider the CAP Case having a material impact to the Company.
- (2) On 24 September 2003, the Company received a writ of summons from the High Court of Hong Kong, in which Messrs. Sun Jinlin (孫進林先生) and Lin Wen (林文先生) (the "Plaintiffs") sued the Company and six of its existing directors and other ex-directors (the "Defendants") for breach of various duties owed to the Company and claimed against the Defendants for (a) damages to be assessed; (b) an account of profits made by the Defendants and that all sums found due upon such account be paid by them to the Company; (c) six of its existing directors of the Company be removed from the board of directors of the Company; (d) an order that a receiver and manager be appointed to preserve and safeguard the assets and undertaking of the Company; (e) interest; (f) further and/or other relief; and (g) costs.

The Plaintiffs' claim (d) was dismissed on 13 October 2003 and the Plaintiffs were ordered to pay the cost of HK\$862,000 to the Company on 5 July 2004. In relation to the main action of the legal proceeding, the Defendants filed their defence on 22 December 2003. The Plaintiffs have stayed all their action in relation to the main action since then. On 8 November 2004, certain Defendants applied for court order ("Order") to demand that unless the Plaintiffs provided security for costs within 21 days after service of the Order, the Plaintiffs' action will be dismissed. As at the date hereof, the Plaintiffs failed to place such deposit and the Board believes that the Plaintiffs' action may have been dismissed subject to issuance of further documents by the court.

- (3) In June 2003, Hainan Wanzhong Shiye Touzi Co., Ltd. (海南萬眾實業投資有限公司) ("Hainan Wanzhong") sued Wuhan Shengda Fangdichan Kaifa Co., Ltd. (武漢盛達房地產開發有限公司) ("Shengda Fangdichan") and Sheng Da Investment Holding (Hong Kong) Limited ("Sheng Da"), a non-wholly owned subsidiary of the Company, for repayment of a debt in the sum of RMB19,270,000, interest thereon and legal costs (the "Shengda Case"). Both Hainan Wanzhong and Shengda Fangdichan are companies established in the PRC and independent to the Company. Sheng Da has been involved as Hainan Wanzhong alleged that Shengda Fangdichan held shareholding interest in and had a receivable due from Sheng Da. On 22 August 2003, the court of Haikou City issued a Notice of Assistance in Execution against Wuhan Dongseng Highway Building Development Co. Limited, in which Sheng Da has 48.67% shareholding interest, requesting for retaining the dividend to be distributed to Sheng Da up to RMB19,270,000 (the "Retained Amount") until the dispute is resolved.

15. Litigations *(Continued)*

The Board understands that there was no business relations between Shengda Fangdichan and Sheng Da since 1997, in which year the Company began to have an interest in Sheng Da. The Shengda Case related to three existing shareholders (the "Old Shareholders") of Sheng Da, who in total currently holds 44.32% interest in Sheng Da and have been being the shareholders before the Company initially acquired any interests in Sheng Da in 1997. The Old Shareholders have provided the Company an undertaking that they will bear any liability arising from the Shengda Case in view of the fact that the subject of the Shengda Case took place before the Company had an interest in Sheng Da (the "Undertaking").

The directors of the Company consider that:

- (i) the subject of the Shengda Case was to claim for receivable due from Shengda Fangdichan to Hainan Wanzhong and Sheng Da should not be claimed for; and
- (ii) through the provision of the Undertaking, there will be no material financial impact to the Company. Any further dividend or distribution payable to the Old Shareholders shall be retained by Sheng Da to set off the Retained Amount.