

## 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 2004.

## 2. SEGMENT INFORMATION

	Turnover		Profit (loss) from operations	
	Six months ended 30 September		Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
By principal activity:				
Logistics	8,260	6,467	95	(288)
Brewery production	–	8,442	–	2,842
Edible oil	–	5,162	–	(1,370)
Food and beverage	–	405	–	(622)
Electronic household appliances	837	2,023	(178)	70
Others	–	–	–	5,561
	<u>9,097</u>	<u>22,499</u>	<u>(83)</u>	<u>6,193</u>
Gain on disposal of investments in securities			–	10,375
Unrealised holding (loss) gain on investments in securities			(7,871)	28,287
Unallocated corporate expenses			<u>(3,604)</u>	<u>(6,381)</u>
(Loss) profit from operations			<u><u>(11,558)</u></u>	<u><u>38,474</u></u>
By geographical area:				
Hong Kong	837	1,444		
The People's Republic of China	<u>8,260</u>	<u>21,055</u>		
	<u><u>9,097</u></u>	<u><u>22,499</u></u>		

## 3. (LOSS) PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
The Group's (loss) profit from operations has been arrived at after charging:		
Depreciation and amortisation	2,325	4,586
(Loss) gain on disposal of subsidiaries	432	(142)
and after crediting:		
Interest income from:		
Loans receivable	219	109
Bank	28	89
Debt securities	1,102	524
	<u>1,102</u>	<u>524</u>

## 4. TAXATION

	Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
The charge comprises:		
Hong Kong profits tax	119	—
Overseas	—	—
	<u>119</u>	<u>—</u>

The tax debit for 2004 represented payment of Hong Kong Profits Tax underprovided in prior years. Other than this, no provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax loss for both years.

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. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 September	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
(Loss) earnings for the purpose of calculating basic and diluted (loss) earnings per share:		
Net (loss) profit for the period	<u>(13,453)</u>	<u>36,438</u>
Weighted average number of shares for the purpose of calculating basic loss (earnings) per share (in thousands)	<u>4,777,320</u>	<u>4,536,565</u>
Effect of dilutive potential shares (in thousands):		
Warrants	—	901,533
Share options	<u>—</u>	<u>110,071</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share (in thousands)	<u>N/A</u>	<u>5,548,169</u>

## 6. DEPOSIT PAID FOR ACQUISITION OF ADDITIONAL INTEREST IN AN ASSOCIATE

The Company held a 35% equity interest in an associate, Shenzhen SEG Scientific Navigations Co. Ltd ("Shenzhen SEG"). The deposit was paid for the acquisition of an additional 17.6% equity interest. Details of the acquisition were set out in a circular issued by the Company on 3 March 2004.

## 7. TRADE AND OTHER RECEIVABLES

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

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
Less than 3 months	3,224	2,482
3 to 6 months	147	175
6 to 12 months	179	67
Over 1 year	–	10
	<u>3,550</u>	<u>2,734</u>
Other receivables	<u>4,111</u>	<u>3,674</u>
	<u><u>7,661</u></u>	<u><u>6,408</u></u>

## 8. DEPOSIT RECEIVED FOR DISPOSAL OF INTEREST IN AN ASSOCIATE

The deposit was received for the disposal of the entire equity interest in Shenzhen SEG. Details of the disposal were set out in a circular issued by the Company on 30 September 2004.

## 9. TRADE AND OTHER PAYABLES

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

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
Less than 3 months	1,112	793
3 to 6 months	–	10
6 to 12 months	2	2
Over 1 year	175	425
	<u>1,289</u>	<u>1,230</u>
Other payables	<u>13,893</u>	<u>14,798</u>
	<u><u>15,182</u></u>	<u><u>16,028</u></u>

**10. SHARE CAPITAL**

	Number of Ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorized:		
At 30 September, 2004	<u>8,000,000,000</u>	<u>80,000</u>
Issued and fully paid:		
At 31 March 2004	4,536,565,000	45,365
Issue of shares on exercise of warrants	<u>901,533,000</u>	<u>9,016</u>
At 30 September 2004	<u>5,438,098,000</u>	<u>54,381</u>

During the period, the ultimate holding company exercised 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. Exercise in full of such warrants resulted in the issue of 901,533,000 shares of HK\$0.01 each.

**11. SHARE OPTION SCHEME**

The Company adopted the new share option scheme on 21 June 2002 (the "Scheme"). The 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 Scheme fully comply with the provisions of Chapter 17 of the Listing Rules. On 18 August 2004, options amounting to 85,000,000 shares were granted to eligible persons including the directors of the Company. No share options were exercised under the Scheme during the six months ended 30 September 2004. At 30 September 2004, the Company had 234,500,000 share options outstanding under the Scheme.

**12. RESERVES**

	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 1 April 2004	26,725	403,551	3,361	(359,813)	73,824
Issue of shares on exercise of warrants	11,720	—	—	—	11,720
Exchange differences arising on translation of financial statements of overseas operations	—	—	(2)	—	(2)
Release upon disposal of a subsidiary	—	300	—	—	300
Net loss for the period	—	—	—	(13,453)	(13,453)
At 30 September 2004	<u>38,445</u>	<u>403,851</u>	<u>3,359</u>	<u>(373,266)</u>	<u>72,389</u>

**13. CAPITAL COMMITMENTS**

	At 30 September 2004 (Unaudited) HK\$'000	At 31 March 2004 (Audited) HK\$'000
Capital expenditure contracted but not provided for in the financial statements in respect of:		
acquisition of additional interest in an associate	1,362	1,362
acquisition of property, plant and equipment	—	132
	<u>1,362</u>	<u>1,494</u>

#### 14. PLEDGE OF ASSETS

At 30 September 2004, certain of the Group's investment property and leasehold land and buildings with an aggregate carrying value of HK\$700,000 (31 March 2004: HK\$700,000) and HK\$108,435,060 (31 March 2004: HK\$109,863,000) respectively, were pledged to banks to secure loan facilities granted to the Group.

#### 15. POST BALANCE SHEET EVENTS

On 18 October 2004, shareholders of the Company approved the disposal of the investment in Shenzhen SEG at a special general meeting. The disposal of 35% of shares of SEG Scientific was completed in October 2004 while the remaining 17.6% will be completed in early 2005.

On 13 November 2004, the Group entered into three agreements to acquire for 60% of the equity of Guangzhou Meiri Logistics Company Limited and Jiangxi DiChain Logistics Company Limited (collectively called "Meiri Logistics"). Details of the transaction are disclosed in the announcement issued by the Company on 17 November 2004.

#### 16. RELATED PARTY TRANSACTIONS

During the period, the Group charged an investee management fee income of HK\$1,200,000. 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 (2003: nil).