

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

30 September 2000

1. ACCOUNTING POLICIES

(a) Basis of preparation

The condensed financial statements have been prepared under the historical cost convention except for investment properties and investments in securities which are measured at fair values.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" ("SSAP 25") except that for the first year of implementation of SSAP 25, as permitted by the Hong Kong Stock Exchange Listing Rules, no comparative figures have been presented for the condensed consolidated statement of recognised gains and losses and for the first condensed consolidated cash flow statement.

The accounting policies are consistent with those disclosed in the Group's annual financial statements for the year ended 31 March 2000, except that goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of an internet and internet related business, including an interest in a subsidiary or an associate engaging in internet and internet related business, is capitalised and amortised on a straight line basis over a period of five years. Provision is made for permanent diminution in value as necessary.

(b) Comparative figures

Figures for the year ended 31 March 2000 were derived from the Group's annual financial statements for that year. Certain comparative figures in current period's income statement, which have not been reviewed in accordance with Statement of Auditing Standard No. 700 "Engagements to review interim financial reports" by the auditors, have been reclassified or extended so as to conform with current period's presentation as a result of the adoption of SSAP No. 1 "Presentation of financial statements". The adoption of SSAP No. 1 has no effect on loss attributable to shareholders and shareholders' funds of the Group.

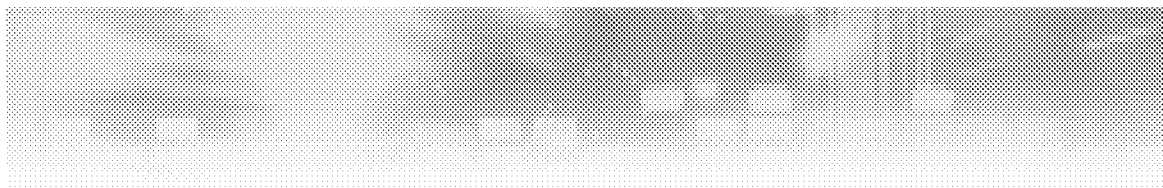
2. TURNOVER AND OPERATING RESULTS

The Group's turnover and operating results analysed by principal activity and by geographical location are as follows:

	For the six months ended			
	30 September 2000		30 September 1999	
	Turnover	Operating	Turnover	Operating
	HK\$'000	profit/(loss)	HK\$'000	profit/(loss)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
By principal activity:				
Investment in marketable securities	199,555	(82,323)	156	(22,878)
Provision of brokerage and financial services (<i>Note 1</i>)	28,507	(2,349)	–	–
Property investment and development	3,225	1,815	6,203	2,262
Internet and internet related business	–	(12,718)	–	–
Investment holding	–	(21,772)	169	(54,600)
Proceeds from sale of properties held for sale	–	–	5,050	(269)
Manufacturing of switching power supply units (<i>Note 2</i>)	–	–	3,345	430
Manufacture and distribution of laminated PVC steel plates and fire-proof materials (<i>Note 2</i>)	–	–	23,141	(1,161)
	<u>231,287</u>	<u>(117,347)</u>	<u>38,064</u>	<u>(76,216)</u>
By geographical location:				
Hong Kong	231,052	(117,455)	14,066	(74,261)
Elsewhere in the People's Republic of China	194	70	23,483	(1,280)
North America	41	38	515	(675)
	<u>231,287</u>	<u>(117,347)</u>	<u>38,064</u>	<u>(76,216)</u>

Notes:

- (1) Included in turnover from provision of brokerage and financial services are interest income from loans receivable and advances amounting to HK\$18,557,000 (30 September 1999: Nil).
- (2) The Group had disposed of and deconsolidated the financial statements of subsidiaries during and after the period ended 30 September 1999 respectively. These subsidiaries were engaged in the manufacturing activity and accordingly, there was no turnover and contribution from manufacturing activity for current interim period.



3. OTHER OPERATING EXPENSES

Included in other operating expenses are the following:–

	For the six months ended	
	30 September	30 September
	2000	1999
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Unrealised loss on trading securities	87,479	–
Provision for bad and doubtful debts	16,000	20,250
Loss on disposal of property, plant and equipment	174	–
Loss on trading of futures index	–	22,925
	<u> </u>	<u> </u>

4. LOSS FROM OPERATIONS

Loss from operations is arrived at after crediting:

	For the six months ended	
	30 September	30 September
	2000	1999
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on sale of marketable securities	4,015	47
Dividend income	1,049	–
	<u> </u>	<u> </u>

5. TAXATION

	For the six months ended	
	30 September	30 September
	2000	1999
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Hong Kong profits tax		
Over - provision in prior periods	80	—
Current period	—	—
	<u>80</u>	<u>—</u>
Share of tax on results of associates	—	(728)
	<u>80</u>	<u>(728)</u>

No provision for Hong Kong profits tax has been provided for the period as the Group has no assessable profit for the period.

6. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the period of HK\$168,946,000 (1999: HK\$204,814,000) and on the weighted average number of 8,333,628,911 shares (1999: 1,194,956,684) in issue during the period. The weighted average number of shares in issue used in the basic loss per share calculation has been adjusted to reflect the effect of the rights issue and share consolidation during the period.

No diluted loss per share is presented as the exercise of the Company's outstanding share options has an anti-dilutive effect on the basic loss per share.

7. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired an investment property and a property at approximately HK\$3.4 million and HK\$7.4 million respectively. In addition, the Group also acquired a property with the then carrying cost of HK\$25.6 million through acquisition of two subsidiaries.

8. GOODWILL

During the period, the Group acquired certain subsidiaries principally engaging in property investment, internet and internet related business for approximately HK\$304 million. It resulted in an aggregate goodwill arising on consolidation of approximately HK\$263 million. Goodwill amortised for the period amounted to approximately HK\$11.2 million.

9. INVESTMENTS IN SECURITIES

	Other securities		Trading securities	
	30 September 2000 HK\$'000 (Unaudited)	31 March 2000 HK\$'000	30 September 2000 HK\$'000 (Unaudited)	31 March 2000 HK\$'000
Equity securities				
Listed securities at market value	34,620	–	197,249	42,220
Unlisted securities	150,313	101,140	–	–
Provision for diminution in value of an unlisted investment	(101,716)	–	–	–
	<u>83,217</u>	<u>101,140</u>	<u>197,249</u>	<u>42,220</u>

10. TRADE AND OTHER RECEIVABLES

The Group maintains a defined credit policy. The trade and other receivables include trade receivables of approximately HK\$54,935,000 (31 March 2000: HK\$474,000).

The aged analysis of trade receivables as at balance sheet date is as follows:

	30 September 2000 HK\$'000 (Unaudited)	31 March 2000 HK\$'000
Current	51,853	—
1 - 3 months	2,355	—
4 - 6 months	77	—
Over 12 months	650	474
	<u>54,935</u>	<u>474</u>

11. SHORT TERM LOANS RECEIVABLE

Short term loans granted to borrowers are repayable by instalments or according to set maturity dates. As at 30 September 2000, loan balances amounting to approximately HK\$70 million, of which HK\$40 million has been subsequently settled, were overdue for less than two months. A provision for doubtful debts of approximately HK\$13 million has already been made as at the balance sheet date.

12. TRADE AND OTHER PAYABLES

The trade and other payables include trade payables of approximately HK\$15,729,000 (31 March 2000: HK\$1,957,000) of which approximately HK\$14,820,000 (31 March 2000: Nil) are pertained to securities dealing. As at 30 September 2000, all trade payables from securities dealing are current. The remaining trade payables of approximately HK\$909,000 (31 March 2000: HK\$1,957,000) as at 30 September 2000 have been due for payment over one year and are fully settled subsequently.

13. DEPOSITS RECEIVED

During the period, the Group received a deposit of HK\$33 million for disposal of its entire equity interest and shareholder's loan in a wholly-owned subsidiary principally engaging in property investment. The transaction will be completed by February 2001.

In addition, a non-wholly owned subsidiary of the Company has received partial subscription monies of HK\$65 million in respect of its new shares allotted in October 2000.

14. SHARE CAPITAL

During the period, the authorised share capital of the Company was changed from 100,000,000,000 shares of HK\$0.02 each into 200,000,000,000 shares of HK\$0.01 each. In connection with the reduction of capital, the nominal value of shares was adjusted from HK\$0.01 each to HK\$0.002 each and every five adjusted unissued shares were consolidated into one consolidated share. As at 30 September 2000, the authorised share capital is HK\$2,000,000,000 divided into 200,000,000,000 shares of HK\$0.01 each.

Movements in issued share capital of the Company during the six months ended 30 September 2000 are as follows:

	Nominal value per share	Number of ordinary shares	Amount HK\$'000
Issued and fully paid:			
As at 1 April 2000	HK\$0.02	15,595,107,704	311,902
Rights issue in May 2000	HK\$0.02	31,190,215,408	623,804
		46,785,323,112	935,706
Reduction of nominal value of shares in June 2000		–	(467,853)
Reduction of nominal value of shares and share consolidation in August 2000		(37,428,258,490)	(374,283)
	HK\$0.01	9,357,064,622	93,570
Exercise of share options	HK\$0.01	616,830,000	6,169
As at 30 September 2000 (Unaudited)	HK\$0.01	9,973,894,622	99,739

15. RESERVES

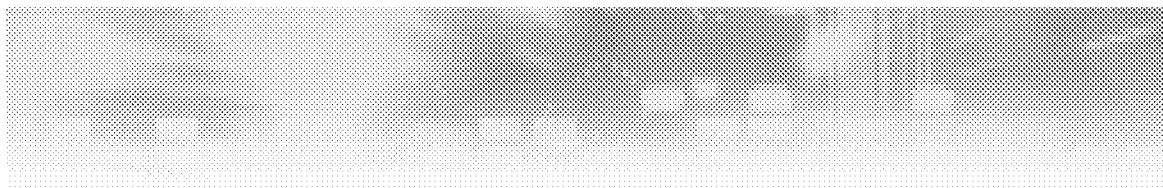
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Capital reserve on consolidation HK\$'000	Investment revaluation deficit HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
Balance as at 1 April 2000	1,552,934	99	33,455	11,131	-	-	(1,591,498)	6,121
Arising from issue of new shares less share issue expenses	(9,521)	-	-	-	-	-	-	(9,521)
Arising from cancellation and reduction of share capital (Note 14)	-	-	-	-	-	842,136	-	842,136
Acquisition of additional interests in a subsidiary	-	-	-	8,573	-	-	-	8,573
Deficit on revaluation of other securities	-	-	-	-	(25,475)	-	-	(25,475)
Loss for the period	-	-	-	-	-	-	(168,946)	(168,946)
Balance as at 30 September 2000 (Unaudited)	1,543,413	99	33,455	19,704	(25,475)	842,136	(1,760,444)	652,888

16. COMMITMENTS AND CONTINGENCIES

Commitments contracted for but not provided in the financial statements are as follows:

	30 September 2000 HK\$'000 (Unaudited)	31 March 2000 HK\$'000
Loan advance to an associate	10,019	10,019
Capital injection to an associate	4,680	4,680
Acquisition of property, plant and equipment	1,091	1,091
Acquisition of investment securities	-	28,200
	<u>15,790</u>	<u>43,990</u>

There was no significant change in contingent liabilities of the Group since 31 March 2000.



17. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following net book values have been pledged to banks and other financial institutions to secure credit facilities granted to the Group.

	30 September 2000 HK\$'000 (Unaudited)	31 March 2000 HK\$'000
Land and buildings	329,129	333,715
Investment properties	218,438	218,300
Bank deposit	8,000	—
	<u>555,567</u>	<u>552,015</u>

The Group's interests in two associates with an aggregate carrying value of HK\$50 million are assigned to a third party to secure a loan and interest repayments of HK\$87 million payable to the third party.



18. POST BALANCE SHEET EVENTS

The following events have occurred subsequent to the balance sheet date:

- (a) An agreement was entered into by the Company for the private placement of 1,994,000,000 new ordinary shares of HK\$0.01 each in the share capital of the Company at a price of HK\$0.017 per share with independent investors.
- (b) A non wholly-owned subsidiary has:
 - (i) allotted new shares to a third party for aggregate proceeds of HK\$90 million. After the allotment of new shares, the Company's equity interest in the subsidiary has been diluted from 51.61% to 43.24%;
 - (ii) issued a convertible note of HK\$53 million to a third party. The convertible note, which will mature on the first anniversary of the date of issue, bears interest at 7.5% per annum and entitles the holder to convert the whole or any part of the principal amount of the note into shares of the subsidiary during the period from the date of issue to the first anniversary of that date; and
 - (iii) acquired a subsidiary and interest in an associate for an aggregate consideration of HK\$83 million.
- (c) A non wholly-owned subsidiary repurchased its shares from its shareholder for a consideration of approximately HK\$36 million. After the cancellation of the repurchased shares, the Group's equity interest in the subsidiary will be increased from 78.12% to 95.68%. %
- (d) The Board of directors has resolved to change the Group's accounting date from 31 March to 31 December.