

## NOTES TO INTERIM ACCOUNTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of the interim accounts are the same as those used in the annual audited accounts for the year ended 31 March 2001, except the Group has changed certain of its accounting policies following the adoption of the following new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the Balance Sheet Date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 28	:	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	:	Intangible Assets
SSAP 30	:	Business Combinations
SSAP 31	:	Impairment of Assets
SSAP 32	:	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

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

#### SSAP 30 Business Combinations

##### Goodwill/negative goodwill

Goodwill/negative goodwill on acquisition of subsidiaries occurring on or after 1 April 2001 is included as intangible assets and is amortised over its estimated useful life in accordance with the provisions of SSAP 30. For acquisition prior to 1 April 2001, goodwill/negative goodwill was written off against/taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively restated.

## 2. TURNOVER AND SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to loss for the period by principal activities and markets is as follows:

	Turnover		Loss for the period	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities				
Continuing operations:				
Management of website	5,272	—	(22,877)	—
Securities and futures broking	1,035	—	(1,192)	—
Investment holding and trading	—	—	(8,810)	—
Net finance income/(expense)	—	—	3,105	2,037
Corporate expenses	—	—	(4,037)	(6,048)
	<u>6,307</u>	<u>—</u>	<u>(33,811)</u>	<u>(4,011)</u>
Discontinued operations:				
Manufacture and sales of portfolios, portable cases, luggage products, purses and accessories	11,770	19,714	4,779	(1,101)
	<u>18,077</u>	<u>19,714</u>	<u>(29,032)</u>	<u>(5,112)</u>
	Turnover		Loss for the period	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal markets				
Continuing operations:				
Hong Kong	6,307	—	(33,811)	(4,011)
Discontinued operations:				
The United States of America	7,826	13,124	(408)	(343)
Hong Kong and other countries	3,944	6,590	(902)	(758)
Gain on disposal of discontinued operations	—	—	6,089	—
	<u>11,770</u>	<u>19,714</u>	<u>4,779</u>	<u>(1,101)</u>
	<u>18,077</u>	<u>19,714</u>	<u>(29,032)</u>	<u>(5,112)</u>

### 3. OPERATING LOSS

Operating loss is stated after charging the following:

	<b>Six months ended 30 September 2001 HK\$'000</b>	Six months ended 30 September 2000 HK\$'000
Amortisation of intangible assets	<b>231</b>	—
Cost of inventories sold	<b>11,216</b>	15,442
Depreciation		
Owned assets	<b>2,433</b>	1,224
Leased assets	<b>190</b>	227
Retirement benefit costs	<b>499</b>	—
Loss on disposal of fixed assets	<b>186</b>	—
	<b><u>186</u></b>	<b><u>—</u></b>

### 4. TAXATION

Tax has not been provided as the Group has no assessable profits for the period (2000: Nil).

### 5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders for the Period of HK\$29,032,000 (2000: HK\$5,112,000) and the weighted average of 3,152,976,603 (2000: 1,559,628,909) ordinary shares in issue during the Period.

There were no potential dilutive ordinary shares in existence for both the current and previous periods and therefore, no diluted loss per share was presented.

### 6. FIXED ASSETS

	<b>Leasehold improvements HK\$'000</b>	<b>Plant and machinery, furniture, equipment and motor vehicles HK\$'000</b>	<b>Total HK\$'000</b>
Six months ended 30 September 2001			
Opening net book amount	2,433	11,799	14,232
Acquisition of subsidiaries	1,375	2,080	3,455
Additions	—	439	439
Disposals	—	(302)	(302)
Depreciation	(1,115)	(1,508)	(2,623)
Closing net book amount	<b><u>2,693</u></b>	<b><u>12,508</u></b>	<b><u>15,201</u></b>

## 7. INTANGIBLE ASSETS

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Trading rights in exchanges in Hong Kong</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Six months ended 30 September 2001			
Cost			
Acquisition of subsidiaries and balance at 30 September 2001	18,600	11,150	29,750
Accumulated amortisation			
Amortisation charge for the period and balance at 30 September 2001	<u>(189)</u>	<u>(42)</u>	<u>(231)</u>
Net Book Value	<u><u>18,411</u></u>	<u><u>11,108</u></u>	<u><u>29,519</u></u>

Goodwill is amortised on a straight line basis over a period of ten years. Trading rights are amortised on a straight line basis over their estimated useful lives of eight and a half years.

## 8. TRADE RECEIVABLES

Included in trade receivables are loans to margin clients amounting to HK\$60,428,000 (31 March 2001: Nil) which have no due date. The ageing analysis of other trade receivables (net of provision) of HK\$8,554,000 (31 March 2001: HK\$6,475,000) was as follows:

	<b>30 September 2001</b> <i>HK\$'000</i>	<b>31 March 2001</b> <i>HK\$'000</i>
Within 180 days	<b>8,295</b>	5,732
181 to 360 days	<b>259</b>	743
	<u><u><b>8,554</b></u></u>	<u><u>6,475</u></u>

The trade receivables as at 30 September 2001 mainly consist of receivables of the management of website and securities and futures broking businesses. The credit terms of securities and futures broking business are in accordance with the industry practice. The Group grants credit periods of 60 to 90 days to its customers on management of website.

## 9. TRADE PAYABLES

Included in trade payables are amounts payable to margin clients of HK\$13,229,000 (31 March 2001: Nil) for which funds has been or will be transferred to trust bank accounts for settlement in accordance with the securities and futures broking industry practice.

The ageing analysis of the other trade payables of HK\$18,740,000 (31 March 2001: HK\$12,328,000) was as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Within 180 days	16,611	8,360
181 to 360 days	1,307	3,736
Over 360 days	822	232
	<hr/>	<hr/>
Total	<b>18,740</b>	<b>12,328</b>
	<hr/>	<hr/>

## 10. FINANCE LEASE PAYABLES

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Finance lease payables:		
Within one year	893	1,072
In the second year	—	357
	<hr/>	<hr/>
Total minimum lease payments	893	1,429
Future finance charges	(103)	(165)
	<hr/>	<hr/>
Total net finance lease payables	790	1,264
Current portion included under current liabilities	(790)	(948)
	<hr/>	<hr/>
Non-current portion	—	316
	<hr/>	<hr/>

## 11. SHARE CAPITAL

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
	<b>No. of shares</b>	<b>Par value HK\$</b>
		<b>Amount HK\$'000</b>
At 1 April 2001	3,168,759,392	0.01 31,688
Issue of shares ( <i>note a</i> )	5,000,000	0.01 50
Repurchase of shares ( <i>note b</i> )	<u>(27,772,000)</u>	<u>(278)</u>
As at 30 September 2001	<u>3,145,987,392</u>	0.01 <u>31,460</u>
At 1 April 2000	293,400,000	0.10 29,340
Debt-to-Equity Conversion ( <i>note c</i> )	15,451,429	0.10 1,545
Capital restructuring ( <i>note d</i> )	(205,900,953)	(29,855)
Subscription and placing of new shares ( <i>note e</i> )	1,100,000,000	0.01 11,000
Issue of shares in July 2000 ( <i>note f</i> )	1,200,000,000	0.01 12,000
Issue of shares for acquisition of Quam.net Limited ( <i>note g</i> )	831,228,916	0.01 8,312
Repurchase of shares ( <i>note h</i> )	<u>(65,420,000)</u>	<u>(654)</u>
As at 31 March 2001	<u>3,168,759,392</u>	0.01 <u>31,688</u>

### Notes:

- In July 2001, 5,000,000 shares of HK\$0.01 each in the Company were issued at HK\$0.19 to individuals who were not connected with the directors, the chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.
- During the period ended 30 September 2001, the Company repurchased a total number of 27,772,000 its own shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The aggregate cost of HK\$1,252,748 paid was charged against share premium and the nominal value of the shares repurchased of HK\$277,720 was transferred to capital redemption reserve.

- (c) In April 2000, certain trade creditors of the Group assigned to iBest Limited, a then substantial shareholder of the Company, their rights to debts totalling approximately HK\$15,451,000 owing to them by the Group (the “Trade Debts”) in consideration for iBest Limited placing to them a total of 15,451,429 shares of the Company. iBest Limited subsequently subscribed for approximately 15,451,429 new shares of HK\$0.10 each of the Company in consideration of it assigning its interest in the Trade Debts to the Company (“Debt-to-Equity Conversion”).
- (d) Pursuant to resolutions passed at a special general meeting held on 19 April 2000, the par value of all the then existing shares of the Company (the “Old Shares”) was reduced from HK\$0.10 each to one-third of one Hong Kong cent each (the “Capital Reduction”). Immediately following the completion of the Capital Reduction, every three Old Shares were consolidated into one new share of HK\$0.01 each (the “New Shares”) (the “Capital Consolidation”). Each share of HK\$0.10 in the authorised share capital of the Company was subdivided into ten shares of HK\$0.01 each. As a result of the Capital Reduction and Capital Consolidation, the issued share capital of the Company was reduced from HK\$30,885,143 (after the Debt-to-Equity Conversion), divided into 308,851,429 Old Shares of HK\$0.10 each, to HK\$1,029,504 divided into 102,950,476 New Shares of HK\$0.01 each. The amount of capital reduction of HK\$29,855,639 was credited to the contributed surplus of the Company.
- (e) Pursuant to resolutions passed at the same special general meeting as in note (d) above, a conditional subscription agreement entered into between the Company and Newer Challenge Holdings Limited dated 28 February 2000 for the subscription of 500,000,000 New Shares at a subscription price of HK\$0.10 per New Share (the “Subscription”) and a conditional placing agreement entered into between the Company and Kim Eng Securities (Hong Kong) Limited (“Kim Eng”) under which the Company appointed Kim Eng as the placing agent to place 600,000,000 New Shares at a placing price of HK\$0.10 per New Share to certain independent investors on an underwritten basis (the “Placing”), were approved and the Subscription and Placing were completed on 20 April 2000.
- (f) In July 2000, 1,200,000,000 new ordinary shares of HK\$0.01 each in the capital of the Company were issued at a price of HK\$0.18 per share.
- (g) On 30 January 2001, 831,228,916 ordinary shares of HK\$0.01 each in the capital of the Company were issued at HK\$0.19 per share as the consideration for the acquisition of the entire equity interest in Quam.net Limited.
- (h) During the year, the Company repurchased a total number of 65,420,000 of its own shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The aggregate price of HK\$3,969,402 paid was charged against share premium and accumulated losses, and the nominal value of the shares repurchased of HK\$654,200 was transferred to capital redemption reserve.

### Share options

During the period, no (2000: 46,000,000) share option was granted to employees and 13,670,000 (2000: 3,233,333) share options were forfeited following resignations of certain employees.

## 12. ACQUISITIONS AND DISPOSALS

During the period, the Group has disposed a subsidiary in the business of manufacture and sale of portfolios, portable cases and luggage products and acquired subsidiaries which are mainly engaged in the securities and futures broking business. The assets and liabilities reduced by arising from the disposal and the acquisitions are as follows:

### Disposal

	<i>HK\$'000</i>
Net assets disposed of:	
Trade receivables, prepayments, deposits and other receivables	11,760
Cash and bank balances	992
Trade payables, accrued liabilities and other payables	(18,841)
	<hr/>
	(6,089)
Profit on disposal of a subsidiary	6,089
	<hr/>
Consideration	—
	<hr/> <hr/>

### Acquisitions

	<i>HK\$'000</i>
Net assets acquired:	
Trading rights in Hong Kong Stock Exchange ( <i>note 7</i> )	11,108
Other non-current assets	7,649
Trade receivables, prepayments, deposits and other receivables	84,072
Cash and bank balances	35,083
Trade payables, accrued liabilities and other payables	(38,062)
Bank and other borrowings	(27,500)
	<hr/>
	72,350
Goodwill arising on acquisition ( <i>note 7</i> )	18,600
	<hr/>
Consideration and acquisitions cost	90,950
	<hr/> <hr/>



### 13. COMMITMENTS

	<b>30 September 2001 HK\$'000</b>	31 March 2001 HK\$'000
(a) Capital commitments for acquisition of investments		
Authorised but not contracted for	45,890	—
Contracted but not provided for	—	3,428
	<u><b>45,890</b></u>	<u><b>3,428</b></u>

#### (b) Commitments under operating leases

At 30 September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>30 September 2001 HK\$'000</b>	31 March 2001 HK\$'000
Within one year	3,554	3,620
In the second to fifth year inclusive	1,555	2,032
	<u><b>5,109</b></u>	<u><b>5,652</b></u>

### 14. SUBSEQUENT EVENTS

Subsequent to 30 September 2001, the Group has entered into a sales and purchase agreement with a third party in respect of the acquisition of a local securities company for a total consideration of approximately HK\$18 million.

In October 2001, the Group entered into an underwriting agreement with Quality HealthCare Asia Limited, a company listed on the Stock Exchange of Hong Kong Limited to underwrite 110,000,000 shares at HK\$0.25 per share of its right issue exercise and paid HK\$27,500,000 accordingly.

In December 2001, the Company entered into a subscription agreement and invested HK\$20 million for approximately 49% interest in an investment technology fund company.

### 15. COMPARATIVE FIGURES

Certain of the comparative figures in the condensed consolidated profit and loss account have been reclassified to conform with the current period's presentation.