

NOTES TO CONDENSED FINANCIAL STATEMENTS**1. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" and the applicable disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the Group's annual financial statements for the year ended 31 March 2003 except that the Group had adopted SSAP 12 (Revised) "Income taxes" which is effective for accounting periods commencing on or after 1 January 2003.

Income taxes

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

The adoption of this accounting standard has had no significant impact on the Group's results for the prior accounting periods.

2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the sales value of goods supplied to customers and income from sales of properties. An analysis of turnover and results by business segments and geographical segments are as follows:

Business segments:

	Revenue from external customers		Segment results	
	Six months ended 30 September		Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Consumer products	20,005	38,291	(4,402)	6,860
Properties trading	2,320	1,112	(767)	152
Leather materials	—	2,829	—	(457)
Iron ores and steel trading	63,014	31,450	1,106	3,291
	<u>85,339</u>	<u>73,682</u>	<u>(4,063)</u>	<u>9,846</u>
Unallocated operating income and expenses			<u>(4,500)</u>	<u>(5,274)</u>
(Loss)/profit from operating activities			<u>(8,563)</u>	<u>4,572</u>
Finance costs			(483)	(157)
Share of profits/(losses) of associates			317	(421)
Tax			—	(10)
Minority interests			<u>(1,376)</u>	<u>(3,288)</u>
Net (loss)/profit attributable to shareholders			<u>(10,105)</u>	<u>696</u>

2. TURNOVER AND SEGMENT INFORMATION (CONTINUED)**Geographical segments:**

	Revenue from external customers		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
PRC (including Hong Kong)	78,101	63,942	(8,733)	5,195
Other Asian countries	7,238	9,740	170	(623)
	<u>85,339</u>	<u>73,682</u>		
(Loss)/profit from operating activities			<u>(8,563)</u>	<u>4,572</u>

3. OTHER REVENUE

	Six months ended	
	30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Interest income	25	70
Others	2,097	1,600
	<u>2,122</u>	<u>1,670</u>

4. (LOSS)/PROFIT FROM OPERATING ACTIVITIES

The Group's (loss)/profit from operating activities has been arrived at after charging:

	Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Depreciation	821	747
Amortisation of goodwill	3,288	2,114

5. TAX

	Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Hong Kong	—	10

No Hong Kong profits tax has been provided for the Company as it had no assessable profits for the current period (2002: Nil). No Hong Kong profits tax has been provided for the subsidiaries as they had no assessable profits for the current period (2002: 16% on estimated assessable profits). No Hong Kong profits tax has been provided for the associates as they had no assessable profits attributable to the Group for the current period (2002: Nil).

There were no significant deferred tax liabilities at the balance sheet date (31 March 2003: Nil)

6. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated based on the net loss attributable to shareholders for the period of approximately HK\$10,105,000 (2002: profit of HK\$696,000) and 17,665,936,000 (2002: 17,665,936,000) ordinary shares in issue during the period.

There is no diluted (loss)/earnings per share shown for either periods as the effects arising from the exercise of the potential ordinary shares would have been anti-dilutive.

7. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	As at			
	30 September 2003		31 March 2003	
	(unaudited) HK\$'000	(unaudited) Percentage	(audited) HK\$'000	(audited) Percentage
Current to three months	5,130	48	10,260	62
Four to six months	2,293	22	131	1
Over six months	3,194	30	6,030	37
Total after provision	10,617	100	16,421	100

The normal credit period granted by the Group to customers ranges from 90 days to 180 days.

8. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	As at			
	30 September 2003		31 March 2003	
	(unaudited) HK\$'000	(unaudited) Percentage	(audited) HK\$'000	(audited) Percentage
Current to three months	2,550	77	8,946	99
Four to six months	781	23	47	1
	3,331	100	8,993	100

9. SHARE CAPITAL

	Company	
	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Authorised:		
50,000,000,000 ordinary shares of HK\$0.01 each	500,000	500,000
Issued and fully paid:		
17,665,936,000 ordinary shares of HK\$0.01 each	176,659	176,659

Share options

At the beginning of the period, there were a total of 560,269,634 share options outstanding, of which (i) 30,269,634 share options were granted on 27 June 1997 with an exercise price of HK\$0.537 per share and (ii) 530,000,000 share options were granted on 12 June 2001 with an exercise price of HK\$0.01 per share. All these share options are exercisable within 10 years from the date of grant of the options.

All of the above 560,269,634 share options remained outstanding at the balance sheet date. At the balance sheet date, the exercise in full of these outstanding share options would, under the present capital structure of the Company, result in the issue of 560,269,634 additional ordinary shares and cash proceeds, before issue expenses, of approximately HK\$21,555,000.

Subsequent to the balance sheet date, all of the above share options were either cancelled upon the resignation of employees or surrendered by the respective employees.

10. CONTINGENT LIABILITY

As at 30 September 2003, there were contingent liabilities in respect of bills discounted with banks amounting to approximately HK\$32,325,000 (31 March 2003: approximately HK\$10,441,000) for the Group.