

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the period from 1 January 2004 to 30 June 2004

1. BASIS OF PREPARATION

The condensed 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 and with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The financial statements for the current period cover six months ended 30 June 2004. The corresponding amounts shown for the income statement, statement of changes in equity, cash flows and related notes cover six-month period from 1 April 2003 to 30 September 2003.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 nine months ended 31 December 2003.

簡明財務報表附註

截至由二零零四年一月一日至二零零四年六月三十日止期內

1. 編製基準

簡明財務報表乃根據香港聯合交易所有限公司證券上市規則附錄16之有關披露規定及香港會計師公會頒佈之會計實務準則第25號「中期財務報告」而編製。

期內之財務報表涵蓋截至二零零四年六月三十日止之六個月。於收益賬、權益變動表、現金流量表之同期比較數字及有關附註則涵蓋由二零零三年四月一日至二零零三年九月三十日止之六個月。

2. 主要會計政策

簡明財務報表乃依據歷史成本法編製，並就若干物業和證券投資作出重估。

所採用之會計政策乃與本集團截至二零零三年十二月三十一日止九個月之年度財務報表所採用之會計政策相符一致。

3. SEGMENT INFORMATION

Business segments

The Group is mainly engaged in electroplating equipment business, timber trading business, wet processing equipment business and entertainment production business. These businesses are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Electroplating equipment	— design, manufacture and sale of custom-built electroplating equipment
Timber trading	— trading of logged timber
Wet processing equipment	— design, manufacture and sale of custom-built horizontal wet processing and automation machinery
Entertainment production	— provision of concert production

3. 分部資料

業務分類

本集團主要從事電鍍設備業務、木材業務、濕式處理設備業務和娛樂製作業務。此等業務乃本集團呈報其主要分部資料所按之基準。

主要業務概述如下：

電鍍設備	— 按客戶需求而設計、生產及銷售之電鍍設備
木材貿易	— 木材貿易
濕式處理設備	— 按客戶需求而設計、生產及銷售之水平式濕式處理及自動化機械設備
娛樂製作	— 提供演唱會製作

Segment information about these businesses is presented below.

該等業務之分部資料呈列如下。

For the six months ended 30 June 2004

截至二零零四年六月三十日止六個月

		Continuing operations 持續經營之業務			Discontinued operations 終止經營之業務			
		Electroplating equipment 電鍍設備 HK\$'000 千港元	Timber trading 木材貿易 HK\$'000 千港元	Other operations 其他營運 HK\$'000 千港元	Wet processing equipment 濕式處理設備 HK\$'000 千港元	Entertainment production 娛樂製作 HK\$'000 千港元	Elimination 對沖 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
TURNOVER	營業額							
External sales	對外銷售	264,640	21,506	783	53,924	4,302	-	345,155
RESULTS	業績							
Segment results	分部業績	40,834	189	2,018	4,989	(567)	3,025	50,488
Unallocated corporate expenses	未分配企業開支							(10,076)
Net unrealised gain on other investments	其他投資未 變現淨收益							841
Net realised loss on other investments	其他投資已 變現淨虧損							(1)
Profit from operations	經營溢利							41,252

For the six months ended 30 September 2003

截至二零零三年九月三十日止六個月

		Continuing operations 持續經營之業務			Discontinued operations 終止經營之業務			
					Wet			
		Electroplating equipment 電鍍設備 HK\$'000 千港元	Timber trading 木材貿易 HK\$'000 千港元	Other operations 其他營運 HK\$'000 千港元	processing equipment 濕式處理設備 HK\$'000 千港元	Entertainment production 娛樂製作 HK\$'000 千港元	Elimination 對沖 HK\$'000 千港元	Consolidated 綜合 HK\$'000 千港元
TURNOVER	營業額							
External sales	對外銷售	109,220	18,195	74	63,196	19,844	-	210,529
Inter-segment sales	分部之間銷售	-	-	-	704	-	(704)	-
		109,220	18,195	74	63,900	19,844	(704)	210,529

Inter-segment sales are charged at prevailing market rates.

分部之間銷售乃按當時之市場價格計算。

RESULTS	業績							
Segment results	分部業績	2,245	(1,430)	(8,647)	(3,881)	(1,832)	3,553	(9,992)
Unallocated corporate income	未分配之企業收入							576
Unallocated corporate expenses	未分配之企業開支							(8,253)
Impairment loss recognised on investments in securities	證券投資已 確認減值 虧損							(2,390)
Net unrealised gain on other investments	其他投資未 變現淨收益							2,330
Net realised loss on other investments	其他投資已 變現淨虧損							(18,049)
Loss from operations	經營虧損							(35,778)

4. PROFIT (LOSS) FROM OPERATIONS

4. 經營溢利(虧損)

		1.1.2004 to 30.6.2004 二零零四年 一月一日至 六月三十日 HK\$'000 千港元	1.4.2003 to 30.9.2003 二零零三年 四月一日至 九月三十日 HK\$'000 千港元
Profit (loss) from operations has been arrived at after charging (crediting):	經營溢利(虧損)已扣除(計入)下列各項：		
Depreciation of property, plant and equipment	物業、廠房及設備之折舊	4,089	6,140
Amortisation of goodwill (included in administrative expenses)	商譽之攤銷(計入行政費用)	132	194
Amortisation of intangible assets (included in administrative expenses)	無形資產之攤銷(計入行政費用)	6	6
Total depreciation and amortisation	折舊及攤銷總額	4,227	6,340
Loss (gain) on disposal of property, plant and equipment	出售物業、廠房及設備之虧損(收益)	55	(2,277)

5. TAXATION CHARGE

5. 稅項支出

		1.1.2004 to 30.6.2004 二零零四年 一月一日至 六月三十日 HK\$'000 千港元	1.4.2003 to 30.9.2003 二零零三年 四月一日至 九月三十日 HK\$'000 千港元
The taxation charge comprises:	該稅項支出包括：		
Hong Kong Profits Tax	香港利得稅		
Underprovision in prior years	以往年度不足額撥備	-	518
Overseas taxation	海外稅項		
Charge for the period	期內支出	576	354
		576	872

No tax is payable on the profit for the six months ended 30 June 2004 arising in Hong Kong since the assessable profit is wholly absorbed by the estimated tax losses brought forward.

由於估計應課稅溢利已全數由承前估計稅務虧損吸納，故此並無就截至二零零四年六月三十日止六個月在香港產生之溢利繳付任何應付稅項。

No provision for Hong Kong Profits Tax for the six months ended 30 September 2003 has been made as the Group incurred tax losses.

由於本集團於截至二零零三年九月三十日止六個月出現稅務虧損，故並無就香港利得稅作出撥備。

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

海外稅項則按有關司法權區各自通行之稅率計算。

6. DIVIDEND

6. 股息

No dividends were paid during either period. The directors do not recommend the payment of any interim dividend.

於兩個期內均未有派付任何股息。董事不建議派付任何中期股息。

7. EARNINGS (LOSS) PER SHARE

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

7. 每股盈利(虧損)

每股基本和攤薄盈利(虧損)乃按以下數據計算：

		1.1.2004 to 30.6.2004 二零零四年 一月一日至 六月三十日 HK\$'000 千港元	1.4.2003 to 30.9.2003 二零零三年 四月一日至 九月三十日 HK\$'000 千港元
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	計算每股基本和攤薄盈利(虧損)之溢利(虧損)	43,439	(37,988)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	計算每股基本盈利(虧損)之普通股份之加權平均數	276,463	276,463
Effect of dilutive potential ordinary shares:	攤薄潛在普通股：		
Convertible note	可換股票據	34,615	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	計算每股攤薄盈利(虧損)之普通股份之加權平均數	311,078	276,463

The weighted average number of shares for the six months ended 30 September 2003 for the purpose of basic loss per share has been adjusted for the effect of share consolidation approved on 23 April 2004.

The computation of diluted earnings per share for the six months ended 30 June 2004 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the period.

No diluted loss per share for the six months ended 30 September 2003 was presented as the exercise of the potential dilutive ordinary shares would result in reduction in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2004 to 30 June 2004, the Group spent HK\$2,711,000 (six months ended 30.9.2003: HK\$1,047,000) on acquisition of property, plant and equipment.

During the period from 1 January 2004 to 30 June 2004, the Group disposed of property, plant and equipment with a carrying amount of HK\$87,122,000 (six months ended 30 September 2003: nil) upon the disposal of subsidiaries.

計算每股基本虧損之股份加權平均數(截至二零零三年九月三十日止六個月)已根據於二零零四年四月二十三日已通過之股份合併之影響作出調整。

因購股權之行使價較期內股份之市場平均價為高，故在計算每股攤薄盈利(截至二零零四年六月三十日止六個月)時沒有假設行使本公司尚未行使之購股權。

由於行使攤薄潛在普通股將令每股虧損減少，故無須呈列每股攤薄虧損(截至二零零三年九月三十日止六個月)。

8. 物業、廠房及設備

截至二零零四年一月一日至二零零四年六月三十日止期內，集團動用約港幣2,711,000元(截至二零零三年九月三十日止六個月：港幣1,047,000元)增購物業、廠房及設備。

截至二零零四年一月一日至二零零四年六月三十日止期內，集團於出售附屬公司時之物業、廠房及設備之賬面淨值約為港幣87,122,000元(截至二零零三年九月三十日止六個月：無)。

9. LOANS RECEIVABLE

The following is the maturity profile of loans receivable at the reporting date:

		30.6.2004 二零零四年 六月三十日 HK\$'000 千港元	31.12.2003 二零零三年 十二月三十一日 HK\$'000 千港元
Repayable within 3 months	於三個月內償還	6,445	9,298
Repayable after 3 months but within 6 months	於三個月後但 於六個月內償還	58	57
Repayable after 6 months but within 1 year	於六個月後但 於一年內償還	118	116
		6,621	9,471
Repayable after 1 year	於一年後償還	1,620	1,778
Total	總計	8,241	11,249

10. OTHER ASSETS

The amount represents the advance to an invested company and is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors, advance will not be required to be repaid within the next year. Accordingly, the advance is shown as non-current.

9. 應收貸款

以下為於資產負債表結算日應收貸款到期概況：

10. 其他資產

於被投資公司的一項預付款項為無抵押、無收取利息以及不設固定還款期。就董事的意見，預付款將不須於明年內還款，因此，該預付款屬非流動性。

11. DEBTORS, DEPOSITS AND PREPAYMENTS

11. 應收賬項、訂金及預付款項

		30.6.2004 二零零四年 六月三十日 HK\$'000 千港元	31.12.2003 二零零三年 十二月三十一日 HK\$'000 千港元
Trade debtors	貿易應收賬款	122,188	102,808
Bills receivable	應收票據	7,184	11,105
Other debtors and prepayments	其他賬款及預付款項	15,640	11,078
		145,012	124,991

The Group allows a general credit period of one month to its trade customers except construction contracts where the Group allows staged payments. In general, credit will only be offered to customers in accordance with their financial creditabilities and an established payment records.

集團給予貿易客戶之一般信貸限期為交易後一個月，而建造合約之客戶則可根據合約之完成進度付款。一般情況下，信貸只會根據客戶在財務方面的信譽及以往還款紀錄而給予。

The following is an aged analysis of trade debtors as at the reporting date:

以下為於資產負債表結算日貿易應收賬款之到期分析表：

		30.6.2004 二零零四年 六月三十日 HK\$'000 千港元	31.12.2003 二零零三年 十二月三十一日 HK\$'000 千港元
Current	未到期	84,229	31,484
Overdue by:	過期		
0 – 60 days	0-60 日	29,509	41,671
61 – 120 days	61-120 日	2,353	8,883
121 – 180 days	121-180 日	1,869	4,287
Over 180 days	超過 180 日	4,228	16,483
		122,188	102,808

12. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

12. 應付款項、應付票據及預提費用

		30.6.2004 二零零四年 六月三十日 HK\$'000 千港元	31.12.2003 二零零三年 十二月三十一日 HK\$'000 千港元
Trade creditors	貿易應付賬款	90,892	88,466
Bills payable	應付票據	3,103	15,476
Other creditors and accrued charges	其他應付賬款及 預提費用	114,468	67,712
		208,463	171,654

The following is an aged analysis of trade creditors as at the reporting date:

以下為於資產負債表結算日貿易應付賬款之到期分析表：

		30.6.2004 二零零四年 六月三十日 HK\$'000 千港元	31.12.2003 二零零三年 十二月三十一日 HK\$'000 千港元
0 – 60 days	0-60 日	61,364	43,914
61 – 120 days	61-120 日	16,646	25,036
121 – 180 days	121-180 日	7,302	13,369
Over 180 days	超過 180 日	5,580	6,147
		90,892	88,466

13. SHARE CAPITAL

13. 股本

		Number of shares 股份數目 '000 千股	Amount 總額 HK\$'000 千港元
Shares of HK\$0.01 each Authorised	每股面值港幣 0.01 元 法定	20,000,000	200,000
Issued and fully paid:	已發行及繳足：		
At 1 January 2004,	於二零零四年一月一日，		
shares of HK\$0.01 each	每股面值港幣 0.01 元	5,529,268	55,293
Share consolidation,	股份合併，		
shares of HK\$0.20 each	每股面值港幣 0.20 元	(5,252,805)	—
Capital reduction,	削減股本，		
shares of HK\$0.01 each	每股面值港幣 0.01 元	—	(52,528)
At 30 June 2004,	於二零零四年六月三十日，		
shares of HK\$0.01 each	每股面值港幣 0.01 元	276,463	2,765

Pursuant to a resolution passed at a special general meeting held on 23 April 2004, the Company carried out a capital reorganisation as follows:

根據於二零零四年四月二十三日特別股東大會通過的決議案，本公司進行了股本重組如下：

- (a) consolidated every 20 issued shares of HK\$0.01 each in the capital of the Company into one share ("Consolidated Share") of HK\$0.20 each (the "Share Consolidation"). Accordingly, on the basis of 5,529,268,000 issued shares, the issued share capital of the Company comprised of 276,463,400 shares upon the Share Consolidation; and

- (a) 將每20股(每股面值港幣0.01元)已發行股份合併為一股(「合併股份」)，每股面值港幣0.20元(「股份合併」)。據此，以5,529,268,000股已發行股份計，當股份合併後，本公司之已發行股本為276,463,400股；和

(b) upon completion of Share Consolidation, the value of every issued Consolidated Share was reduced from HK\$0.20 into HK\$0.01 each by cancellation of HK\$0.19 paid up capital on each Consolidated Share. As a result of the capital reduction, on the basis of 276,463,400 issued shares, an amount of HK\$52,528,000 from the share capital account was transferred to the contributed surplus account of the Company.

(c) cancelled the entire amount of HK\$353,062,000 standing to the credit to the share premium account of the Company ("Share Premium Cancellation");

(d) the credit amount of HK\$353,062,000 arising from the Share Premium Cancellation was applied to the contributed surplus account of the Company; and

(e) an amount of HK\$356,653,000 was transferred from the contributed surplus account to the deficit account of the Company to eliminate the deficit of the Company of HK\$356,653,000 at 26 April 2004, being the effective date of the capital reorganisation, in accordance with the bye-laws of the Company and all applicable laws.

(b) 當完成股份合併後，每股已發行合併股份面值由港幣0.20元減至港幣0.01元，每股合併股份註銷港幣0.19元之已繳股本。於削減股本後，以276,463,400股已發行股份計，約港幣52,528,000元從股本賬中轉入本公司之繳入盈餘賬。

(c) 註銷本公司股份溢價賬中列作進賬之全部款項港幣353,062,000元（「註銷股份溢價」）；

(d) 由註銷股份溢價所產生之進賬款項港幣353,062,000元撥入本公司之繳入盈餘賬；和

(e) 根據本公司細則及所有適用法例，繳入盈餘賬之款項港幣356,653,000元將轉入本公司之虧損賬，以抵銷本公司於二零零四年四月二十六日（即股本重組生效日）之港幣356,653,000元虧損。

14. RESERVES

14. 儲備

		Share premium 股份溢價 HK\$'000 千港元	Property revaluation reserve 物業 重估儲備 HK\$'000 千港元	Legal reserves 法定儲備 HK\$'000 千港元	Capital reserve 資本儲備 HK\$'000 千港元	Currency translation reserve 貨幣折算 儲備 HK\$'000 千港元	Contributed surplus 繳入盈餘 HK\$'000 千港元	(Deficit) retained profits (虧損) 保留溢利 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2003	於二零零三年四月一日	353,062	35,743	16,195	-	(11,426)	-	(284,607)	108,967
Exchange difference arising on translation of operations of overseas subsidiaries	折算海外附屬公司之匯兌差額	-	-	-	-	568	-	-	568
Effect of change in tax rate on deferred tax debited to revaluation reserve	稅率改變對物業重估儲備之遞延稅務影響	-	(319)	-	-	-	-	-	(319)
Net loss for the period	期內淨虧損	-	-	-	-	-	-	(37,988)	(37,988)
At 30 September 2003	於二零零三年九月三十日	353,062	35,424	16,195	-	(10,858)	-	(322,595)	71,228
Transfer	轉賬	-	-	-	37,717	-	-	(37,717)	-
Exchange difference arising on translation of operations of overseas subsidiaries	折算海外附屬公司之匯兌差額	-	-	-	-	(208)	-	-	(208)
Net profit for the period	期內淨溢利	-	-	-	-	-	-	8,912	8,912
At 31 December 2003	於二零零三年十二月三十一日	353,062	35,424	16,195	37,717	(11,066)	-	(351,400)	79,932
Reduction of share capital (note 13)	股本削減 (附註 13)	-	-	-	-	-	52,528	-	52,528
Cancellation of share premium account and transfer to contributed surplus account (note 13)	股份溢價賬註銷及轉入繳入盈餘賬 (附註 13)	(353,062)	-	-	-	-	353,062	-	-
Transfer from contributed surplus account to deficit account (note 13)	由繳入盈餘賬轉入虧損賬 (附註 13)	-	-	-	-	-	(356,653)	356,653	-
Realised upon the disposal of a subsidiary	出售一間附屬公司時之變現	-	-	(4,745)	(37,717)	3,410	-	42,462	3,410
Realised upon the partial disposal of an associate	出售一間聯營公司股份權益時之變現	-	-	-	-	393	-	-	393
Exchange difference arising on translation of operations of overseas subsidiaries	折算海外附屬公司之匯兌差額	-	-	-	-	711	-	-	711
Net profit for the period	期內淨溢利	-	-	-	-	-	-	43,439	43,439
At 30 June 2004	於二零零四年六月三十日	-	35,424	11,450	-	(6,552)	48,937	91,154	180,413

15. CONVERTIBLE NOTE

On 6 February 2004, the Company entered into a subscription agreement (the "Agreement") with a wholly-owned subsidiary of Karl Thomson Holdings Limited, a company in which Mr. Lam Kwok Hing, the Deputy Chairman of the Company, has a beneficial interest. On 20 May 2004, the Company issued a convertible note in accordance with the Agreement for a consideration of HK\$30 million to a wholly-owned subsidiary of Karl Thomson Holdings Limited. The term of the convertible note is 2 years from the date of issue and non-interest bearing. The conversion price is HK\$0.20 per share.

16. DISPOSAL OF SUBSIDIARIES

On 19 January 2004 and 27 January 2004, the Group entered into agreements to partially dispose of its interests in the subsidiaries, Asia Vigour (Holdings) Limited and Intech Machines Company Limited which carried out all the Group's entertainment production business and wet processing equipment business respectively. The disposals were completed on 5 March 2004 and 1 April 2004 respectively, on which date control on the above subsidiaries was passed to acquirers. The Group's remaining interests in the above subsidiaries were classified as interests in associates.

The results of the entertainment production business and wet processing equipment business for the interim period were included in note 3.

15. 可換股票據

於二零零四年二月六日，本公司與高信集團控股有限公司之全資附屬公司簽訂認購協議（「該協議」）。本公司之副主席藍國慶先生於該全資附屬公司擁有權益。於二零零四年五月二十日，根據該協議，本公司向高信集團控股有限公司的全資附屬公司發行可換股票據，代價為港幣30,000,000元。可換股票據的條款包括票據年期為2年（由發行票據日起計）以及無收取利息。轉換價則為每股港幣0.20元。

16. 出售附屬公司

於二零零四年一月十九日和二零零四年一月二十七日，本集團簽訂協議，出售其於附屬公司之部份權益，包括從事集團所有娛樂製作業務之Asia Vigour (Holdings) Limited和從事濕式處理設備業務之亞智科技股份有限公司。交易分別於二零零四年三月五日和二零零四年四月一日完成，並於當日將上述附屬公司的控制權移交給收購者。集團於上述附屬公司之餘下權益被界定為於聯營公司之權益。

娛樂製作業務和濕式處理設備業務於期內之業績已包括在附註3之內。

The net assets of above subsidiaries at the date of disposal were as follows:

於出售日，上述附屬公司之資產淨值如下：

		HK\$'000 千港元
Net assets disposed of	出售之淨資產	35,430
Exchange loss realised	已變現之兌換虧損	3,410
		38,840
Interests in associates	聯營公司權益	(21,798)
Gain on disposal	出售所得收益	2,627
Total consideration	總代價	19,669
Satisfied by:	支付方式：	
Cash	現金	19,669
Net cash inflow arising on disposals:	出售附屬公司所產生之淨現金流入：	
Cash consideration	現金代價	19,669
Bank balances and cash disposed of	出售之銀行餘款和現金	(3,666)
		16,003

The subsidiaries disposed of during the six months ended 30 June 2004 contributed HK\$58,226,000 to the Group's turnover and HK\$4,413,000 to the Group's profit from operations.

於截至二零零四年六月三十日止六個月內出售之附屬公司，為集團之營業額貢獻港幣58,226,000元和經營溢利貢獻港幣4,413,000元。

17. POST BALANCE SHEET EVENT

On 29 July 2004, a wholly-owned subsidiary of Karl Thomson Holdings Limited has converted the HK\$30 million convertible note into 150,000,000 shares of HK\$0.01 each in the Company at a conversion price of HK\$0.20 per share.

17. 結算日後事項

於二零零四年七月二十九日，高信集團控股有限公司之全資附屬公司以每股港幣0.20元之轉換價，轉換港幣30,000,000元之可換股票據為本公司每股港幣0.01元之150,000,000股。