

## NOTES TO THE FINANCIAL STATEMENTS

30 September 2004

*(Amount expressed in Hong Kong dollars unless otherwise stated)*

### 1. Basis Of Preparation And Accounting Policies

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “SEHK”). The accounting policies and the basis of preparation used by the Group in the preparation of the condensed consolidated interim financial statements are consistent with those used in the audited annual financial statements for the year ended 31 March 2004.

### 2. Turnover And Segmental Information

Turnover for the Period mainly represents interest income received and receivable during the Period, which is recognized on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

During the Period, the Group was principally engaged in investment holding in Hong Kong. Accordingly, no analysis of segment information by principal activity and geographical area is presented.

An analysis of turnover is as follows:

	For the six months ended 30 September	
	2004	2003
	'000	'000
	(Unaudited)	(Unaudited)
Interest income	626	762

3. Other Revenue And Gains, Net

An analysis of other revenue and gains, net, is as follows:

	For the six months ended 30 September	
	2004 '000 (Unaudited)	2003 '000 (Unaudited)
Rental income from operating leases	—	241
Consultancy service fee income	—	829
Management service income	2,294	866
Gain on disposal of short term investments	74	2,438
Others	170	194
	<u>2,538</u>	<u>4,568</u>

4. (Loss) / Profit Before Tax

(Loss) / Profit before tax is arrived at after charging:

	For the six months ended 30 September	
	2004 '000 (Unaudited)	2003 '000 (Unaudited)
Depreciation	80	339
Unrealized loss on revaluation of short term equity investments	<u>760</u>	<u>—</u>

**5. Tax**

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the Period (2003: Nil).

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2003: Nil).

**6. Interim Dividend**

The directors do not propose any interim dividends in respect of the Period (2003: Nil).

**7. (Loss) / Earning Per Share**

The calculation of basic (loss) / earning per share is based on the unaudited consolidated net loss from ordinary activities attributable to shareholders for the Period of approximately HK\$3,250,000 (2003: net profit of approximately HK\$1,712,000) and on the weighted average number of 2,400,001,640 (2003: 2,400,001,640) ordinary shares in issue during the Period.

No diluted (loss) / earning per share amounts have been disclosed. For the period ended 30 September 2003, the share options outstanding under the Old Scheme (see note 10 below) had an anti-dilutive effect on the basic (loss) / earning per share, and during the Period, all such outstanding share options had expired and there were no other dilutive potential ordinary shares in existence.

**8. Fixed Assets**

During the Period, the Group spent approximately HK\$597,000 on acquisitions of fixed assets (2003: Nil).

9. Short Term Investments

	As at	
	30 September	31 March
	2004	2004
	'000	'000
	(Unaudited)	(Audited)
Overseas unlisted equity investments, at fair value	<u>35,535</u>	<u>37,585</u>

10. Share Capital

	As at	
	30 September	31 March
	2004	2004
	'000	'000
	(Unaudited)	(Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
2,400,001,640 ordinary shares of HK\$0.1 each	<u>240,000</u>	<u>240,000</u>

**Share options**

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme included the Company’s directors, employees and other individuals as determined by the Board from time to time on the basis of their contribution to the success of the development and growth of the Group. The Scheme was adopted by the Company on 30 September 2004 and approved by the SEHK on 28 October 2004 of the listing of, and permission to deal in, any new shares which may be issued upon exercise of the subscription rights attaching to the options to be granted under the Scheme

not exceeding 10% of the total number of shares in issue as at the date of the adoption of the Scheme and, unless otherwise cancelled or amended, will remain in force for ten years from the latter date. No share option had been granted under the Scheme.

The maximum number of unexercised share options as permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determined by the Board at its sole discretion in respect of any particular grant on a case by case basis, but in any case, shall not be more than ten years from the grant date subject to the provisions for early termination set out in the Scheme.

The exercise price of the share options is determinable by the Board, but shall not be lower than the highest of (i) the closing price of the shares as stated in the SEHK's daily quotation sheet on the grant date, which must be a trading day; (ii) the average closing price of the shares as stated in the SEHK's daily quotation sheets for the five trading days immediately preceding the grant date; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The Company used to grant some share options to the eligible participants under another share option scheme (the "Old Scheme"), which had expired in prior year. All share options granted under the Old Scheme were lapsed as at the Period end date. The movements of such share options during the Period were as follows:

	Number of share options granted on 26 March 2001
At beginning of the Period	111,500,000
Lapsed during the Period	<u>(111,500,000)</u>
At end of the Period	<u><u>—</u></u>
Exercise price per share	<u><u>HK\$0.32</u></u>

#### 11. Reserves

The detailed movements in reserves during the Period were disclosed in the Condensed Consolidated Statement Of Changes In Equity.

## 12. Operating Lease Arrangement

The Group and the Company leases certain of its office properties, equipment, motor vehicle and a staff quarter under operating lease arrangements. Leases are negotiated for terms ranging between one to three years.

As at the Period end date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at	
	30 September	31 March
	2004	2004
	'000	'000
	(Unaudited)	(Audited)
Within one year	354	995
In the second to fifth years, inclusive	112	—
	<u>466</u>	<u>995</u>

## 13. Commitments And Contingent Liabilities

As at 30 September 2004 and 31 March 2004, the Group had no significant commitments or contingent liabilities.

#### 14. Related Party And Connected Transactions

The Group had the following significant related party transactions during the Period:

		For the six months ended 30 September	
		2004	2003
		'000	'000
		(Unaudited)	(Unaudited)
Consultancy fee income from a related company	(i)	—	829

Note

- (i) The consultancy fee received in respect of management advisory services from a related company, of which a chief operating officer of the Group is the president, was charged on mutually agreed terms with reference to actual time and staff costs incurred.

#### 15. Appointment Of Director

On 23 September 2004, Mr. Robert Joseph ZULKOSKI was appointed as an independent non-executive director (the “INED”) and the chairman of the Audit Committee of the Company.