

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(1) Principal accounting policies and basis of preparation

The Unaudited Interim Financial Statements 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 Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2004.

(2) Segment information

An analysis of turnover and contribution to the Group's results by principal activity and geographical location is set out below:

(a) By principal activity

| | Turnover | | Segment Results | |
|--|------------------|----------------|------------------|---------------|
| | Six months ended | | Six months ended | |
| | 30 September | | 30 September | |
| | 2004 | 2003 | 2004 | 2003 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Sales of data storage media products and related equipment | 4,451 | 8,339 | (7,507) | 148 |
| Sales of property under development | 42,469 | 97,556 | 2,089 | 16,359 |
| Sales of wine | 2,562 | 3,863 | (1,179) | (2,012) |
| | <u>49,482</u> | <u>109,758</u> | <u>(6,597)</u> | <u>14,495</u> |
| Other revenue | | | <u>412</u> | <u>394</u> |
| Operating (loss)/profit before finance costs | | | <u>(6,185)</u> | <u>14,889</u> |

(2) Segment information (Continued)(b) *By geographical location*

| | Turnover | | Segment Results | |
|---|----------------------------------|------------------|----------------------------------|------------------|
| | Six months ended 30 September | | Six months ended 30 September | |
| | 2004 HK\$'000 | 2003 HK\$'000 | 2004 HK\$'000 | 2003 HK\$'000 |
| Hong Kong | 150 | 9 | (1,899) | (978) |
| USA and Canada | 1,171 | 1,276 | 395 | 227 |
| People's Republic of China | 47,839 | 107,781 | (5,320) | 16,765 |
| Australia | — | — | 119 | (1,641) |
| Others | 322 | 692 | 108 | 122 |
| | <u>49,482</u> | <u>109,758</u> | <u>(6,597)</u> | <u>14,495</u> |
| Other revenue | | | 412 | 394 |
| Operating (loss)/profit before finance costs | | | <u>(6,185)</u> | <u>14,889</u> |

(c) *Financial positions*

| | 2004 HK\$'000 | 2003 HK\$'000 |
|---|------------------|------------------|
| Assets | | |
| Sales of data storage media products and related equipment | 45,759 | 25,728 |
| Sales of property under development | 67,736 | 101,074 |
| Sales of wine | 31,705 | 41,446 |
| Unallocated corporate assets | 22,164 | 39,587 |
| | <u>167,364</u> | <u>207,835</u> |
| Liabilities | | |
| Sales of data storage media products and related equipment | 3,662 | 1,641 |
| Sales of property under development | 14,492 | 38,874 |
| Sales of wine | 11,439 | 17,374 |
| Unallocated corporate liabilities | 197 | 317 |
| | <u>29,790</u> | <u>58,206</u> |
| Net Assets | <u>137,574</u> | <u>149,629</u> |

(3) Operating (loss)/profit

Operating (loss)/profit is arrived at after crediting and charging the following:

| | For six months ended 30 September | |
|---|--|-------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Crediting | | |
| Interest income | 248 | 373 |
| Interest from associated company | 19 | 21 |
| Sundry income | 145 | — |
| | <u> </u> | <u> </u> |
| Charging | | |
| Depreciation | 1,278 | 1,725 |
| Retirement benefit costs | 172 | 86 |
| Staff costs (excluding directors' remuneration) | 2,173 | 3,448 |
| Net currency exchange loss | 98 | 1,057 |
| Provision for redundancy costs | — | 1,136 |
| Provision for slow-moving and obsolete stock | 5,000 | — |
| | <u> </u> | <u> </u> |

(4) Finance costs

| | For six months ended 30 September | |
|---|--|-------------------|
| | 2004 HK\$'000 | 2003 HK\$'000 |
| Interest expense on the Group's bank loans and overdrafts | 3 | 1,062 |
| Less: Interests capitalized | — | (828) |
| | <u> </u> | <u> </u> |
| | 3 | 234 |
| | <u> </u> | <u> </u> |

(5) Taxation

| | For six months ended | |
|-------------------------------|----------------------|----------|
| | 30 September | |
| | 2004 | 2003 |
| | HK\$'000 | HK\$'000 |
| Hong Kong | | |
| The Company and subsidiaries | | |
| Under provision in prior year | — | 183 |
| | — | 183 |
| PRC | | |
| Subsidiaries | | |
| Current period provision | 500 | 2,978 |
| | 500 | 2,978 |
| | 500 | 3,161 |

No provision for Hong Kong Profits Tax is made as the Group companies operating in Hong Kong do not have any assessable profits for the current period. Certain of the Group's subsidiaries operating in the PRC are eligible for tax exemptions and concessions. The PRC income tax is calculated at the rates applicable to respective subsidiaries.

(6) (Loss)/Profit per share

The calculation of (loss)/profit per share is based on the unaudited consolidated (loss)/profit attributable to shareholders of (HK\$6,688,000) (2003: profit of HK\$11,494,000) and on 330,571,880 (2003: 330,571,880) shares in issue during the period.

No diluted loss per share for the period from 1 April 2004 to 30 September 2004 had been presented as the conversion of the company outstanding options would result in a decrease in net loss per share.

The Company had no potential dilutive ordinary shares that were outstanding during the period ended 30 September 2003.

(7) Accounts receivable and prepayments

Included in accounts receivable and prepayments are trade debtors and their aging analysis as at 30 September 2004 is as below:

| | 30 September 2004 HK\$'000 | 31 March 2004 HK\$'000 |
|-------------------|---|---------------------------------------|
| Less than 30 days | 201 | 484 |
| 1 to 3 months | 191 | 1,033 |
| Over 3 months | 186 | — |
| | 578 | 1,517 |

(8) Accounts payable and accrued charges

An aging analysis of trade payables as at 30 September 2004 is set out as below:

| | 30 September 2004 HK\$'000 | 31 March 2004 HK\$'000 |
|-------------------|---|---------------------------------------|
| Less than 30 days | 2,573 | 324 |
| 1 to 3 months | 565 | 998 |
| Over 3 months | 4,288 | 3,679 |
| | 7,426 | 5,001 |

(9) Share capital

| | Number of shares | Amount HK\$'000 |
|--|-------------------------|---------------------------|
| <hr/> | | |
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 30 September 2004 and 31 March 2004 | 4,000,000,000 | 400,000 |
| | <hr/> | <hr/> |
| Issued and fully paid: | | |
| At 30 September 2004 and 31 March 2004 | 330,571,880 | 33,057 |
| | <hr/> | <hr/> |

Under the share option scheme adopted by the company on 7 November 2003, the directors may, at their discretion, grant to directors and employees of the Group options to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company.

Total 22,998,000 options were previously granted under the share option scheme and no options were granted during the six months ended 30 September 2004.

(10) Capital commitments

At 30 September 2004, the Group had the following capital commitments:

| | 30 September 2004 HK\$'000 | 31 March 2004 HK\$'000 |
|--|---|------------------------------|
| <hr/> | | |
| Capital expenditure in respect of contracted commitment for: | | |
| Investment in a joint venture | 27,448 | 36,848 |
| | <hr/> | <hr/> |

(11) Pledge of assets

At 30 September 2004, the Group has pledged certain assets as listed below to secure the general banking facilities granted to the Group:

| | 30 September 2004 | 31 March 2004 |
|--------------------------------------|------------------------------|------------------|
| | HK\$'000 | HK\$'000 |
| Bank deposits | 14,024 | 14,017 |
| Land and buildings at net book value | 7,535 | 7,619 |

(12) Approval of the interim financial report

This interim financial report was approved by the Board of Directors on 17 December 2004.

MANAGEMENT DISCUSSION AND ANALYSIS**Financial Review**

For the six months ended 30 September 2004, the Group recorded a turnover of HK\$49,482,000, a decrease by 55% from HK\$109,758,000 of the corresponding period last year. Loss recorded in the period under review was HK\$6,688,000, as opposed to a profit of HK\$11,494,000 of the same period last year. Business performance of different segments varied for the first half year. A profit of HK\$2,089,000 derived from the property business was offset by the loss incurred in the sales of data storage media products and wine products.