

NOTES TO THE CONDENSED FINANCIAL STATEMENTS*For the six months ended 30 September 2001***1. ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified by the marking-to-market of certain investments in securities.

The condensed financial statements have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31 March 2001.

2. SEGMENT INFORMATION**Business Segments**

	Turnover		Loss on ordinary activities before taxation	
	Six months ended 30 September		Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By Principal Activities:				
Sub-contracting services	1,089	117	(2,669)	(3,007)
Audio and visual products and components	41	130	(4,445)	(8,313)
Trading of computers and related accessories	14,964	—	(2,401)	—
	<u>16,094</u>	<u>247</u>	<u>(9,515)</u>	<u>(11,320)</u>
Other Group expenses			<u>(19,670)</u>	<u>(23,487)</u>
			<u>(29,185)</u>	<u>(34,807)</u>
Share of loss of associate			—	<u>(1,147)</u>
			<u>(29,185)</u>	<u>(35,954)</u>
Geographical Segments				
Hong Kong and Mainland China	<u>16,094</u>	<u>247</u>	<u>(29,185)</u>	<u>(35,954)</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2001

3. LOSS FROM OPERATIONS

Loss from operations is stated after charging:

	Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000
Depreciation of owned tangible fixed assets	4,194	2,494
Depreciation of tangible fixed assets held under hire-purchase contracts	–	707
Amortization of intangible assets	<u>5,396</u>	<u>–</u>

4. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$3,565,000 for the six months ended 30 September 2001 (30 September 2000: a loss of HK\$3,321,000).

5. TAXATION

No provision for Hong Kong profits tax or overseas taxation has been made as the Company and its subsidiaries incurred taxation losses for the period (30 September 2000: Nil).

No provision for deferred taxation has been made as the Group and the Company had net deferred tax assets which the directors consider unlikely to reverse in the foreseeable future (30 September 2000: Nil).

6. INTERIM DIVIDEND

The Board of Directors does not recommend the payment of interim dividend for the six months ended 30 September 2001 (30 September 2000: Nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$28,847,000 (30 September 2000: HK\$35,954,000) and on the weighted average of 6,463,920,400 (30 September 2000: 6,311,236,033) shares in issue during the period.

No diluted loss per share is presented for the period ended 30 September 2001 and the corresponding period as the exercise of share options and warrants of the Company are anti-dilutive.

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8. INTANGIBLE ASSETS

	Goodwill HK\$'000	Patent HK\$'000	Total HK\$'000
At cost:			
At 1 April 2001	47,682	–	47,682
Additions	22,393	383	22,776
At 30 September 2001	70,075	383	70,458
Amortization:			
At 1 April 2001	4,350	–	4,350
Charge for the period	5,390	6	5,396
At 30 September 2001	9,740	6	9,746
Net book value:			
At 30 September 2001	60,335	377	60,712
At 31 March 2001	43,332	–	43,332

9. TANGIBLE FIXED ASSETS

	Land & buildings HK\$'000	Plant, machinery, equipment & moulds HK\$'000	Furniture & fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improve- ments HK\$'000	Total HK\$'000
At cost:						
At 1 April 2001	9,342	135,951	14,296	2,475	3,277	165,341
Additions	–	77	1,066	–	27	1,170
Disposals	–	(2,400)	–	–	–	(2,400)
At 30 September 2001	9,342	133,628	15,362	2,475	3,304	164,111
Depreciation:						
At 1 April 2001	234	83,520	12,124	472	82	96,432
Charge for the period	116	3,710	237	90	41	4,194
On disposals written back	–	(1,795)	–	–	–	(1,795)
At 30 September 2001	350	85,435	12,361	562	123	98,831
Net book value:						
At 30 September 2001	8,992	48,193	3,001	1,913	3,181	65,280
At 31 March 2001	9,108	52,431	2,172	2,003	3,195	68,909

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2001

9. TANGIBLE FIXED ASSETS (continued)

At 30 September 2001, the Group's land and buildings are held as follows:–

	HK\$'000
Outside Hong Kong	
– Under long lease	899
– Under medium-term lease	8,443
	<u>9,342</u>

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and their ageing analysis as at 30 September 2001 is as follows:–

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
0 – 60 days	1,201	882
61 – 90 days	71	14
>90 days	1,259	926
	<u>2,531</u>	<u>1,822</u>

Credit is offered to customers following financial assessment and an established payment record. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. Senior staff of the Company monitor trade receivables and follow up collections periodically. General credit terms are payment by the end of the month following the month in which sales took place.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and their ageing analysis as at 30 September 2001 is as follows:–

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
0 – 60 days	1,276	1,692
61 – 90 days	12	23
>90 days	472	103
	<u>1,760</u>	<u>1,818</u>

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12. AMOUNTS DUE TO DIRECTORS

Amounts due are unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

	Number of shares		Total value	
	30 September 2001 ('000)	31 March 2001 ('000)	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>30,000,000</u>	<u>30,000,000</u>	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At beginning of period / year	6,263,937	6,263,937	62,639	62,639
New issue of shares	<u>1,200,000</u>	<u>–</u>	<u>12,000</u>	<u>–</u>
At end of period / year	<u>7,463,937</u>	<u>6,263,937</u>	<u>74,639</u>	<u>62,639</u>

Change in Share Capital

Pursuant to the sale and purchase agreement dated 11 August 2001 entered into between Wise China Limited as Vendor, Ecopro Hi-Tech Limited, a wholly-owned subsidiary of the Company, as Purchaser and the Company in relation to the purchase of 80% of the issued share capital in Bits Tech Inc., the Company agreed to allot and issue 1,200,000,000 new shares of HK\$0.01 each in the capital of the Company at a price of HK\$0.014 per share to Wise China Limited credited as fully paid as part consideration thereof. The transaction was completed on 30 August 2001.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2001

13. SHARE CAPITAL (continued)**Share Options**

The particulars of the share options outstanding as at 30 September 2001 are set out below:

	Number of share options		Outstanding as at 30 September 2001
1st lot (Note 1)	2nd lot (Note 2)		
25,046,000	114,834,000		139,880,000

Notes:

1. These share options were granted on 24 November 1999, and are exercisable at a price of HK\$0.056 per share during the period from 1 June 2000 to 24 November 2002.
2. These share options were granted on 9 June 2000, and are exercisable at a price of HK\$0.029 per share during the period from 1 January 2001 to 9 June 2003.

14. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2001	266,045	861	110,578	(293,902)	83,582
Issue of shares at a premium (Note 13)	4,800	-	-	-	4,800
Net loss for the period	-	-	-	(28,847)	(28,847)
At 30 September 2001	<u>270,845</u>	<u>861</u>	<u>110,578</u>	<u>(322,749)</u>	<u>59,535</u>

15. CONTINGENT LIABILITIES

As at 30 September 2001, there were contingent liabilities in respect of the following:—

- (i) During the year ended 31 March 2001, Merway Limited, a wholly-owned subsidiary of the Company, brought legal actions against a customer claiming a sum of HK\$1,050,000 in relation to sub-contracting charges due to Merway Limited by the customer pursuant to a sub-contracting agreement between the Company and the customer. The customer filed a defence in response to the claim, and filed a counterclaim against the Company for alleged breach of contract. As a result, claims for damages and loss of profits in aggregate of HK\$20,000,000 together with interests and costs have been brought against the Company. The Company has sought appropriate legal advice and is going to vigorously pursue its original claim against the customer and defend the counterclaim brought by the customer. As at the date of this report, the proceedings are still ongoing. After taking into consideration the advice of the Group's legal counsel, the directors consider the outcome of the proceedings will not have material adverse financial effect in the Group.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)
For the six months ended 30 September 2001

15. CONTINGENT LIABILITIES (continued)

- (ii) The Company is also a defendant in a law suit brought by a supplier during the year ended 31 March 1998 claiming approximately HK\$1,962,000 together with interest and costs relating to a guarantee in respect of a credit facility granted to RCR Electronics Manufacturing Limited, a former subsidiary of the Company. The Company filed a defence in March 1999 in response to the claim and since then, the supplier has taken no further action against the Company. Since the outcome of the litigation could not be determined with reasonable certainty at this stage, no provision has been made in the financial statements.

16. OPERATING LEASE COMMITMENTS

As at 30 September 2001, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000
Within one year	1,451	719
In the second to fifth years inclusive	1,033	325
	<u>2,484</u>	<u>1,044</u>

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

18. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board of Directors on 19 December 2001.

By Order of the Board
Tang Yiu Wing
Chairman

Hong Kong, 19 December 2001