

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended September 30, 2001 (2000: HK0.17 cent per share). Accordingly, no closure of Register of Members and Register of Warrantholders of the Company are proposed.

FINANCIAL REVIEW

During the six months ended September 30, 2001, the Group recorded an unaudited profit attributable to shareholders of approximately HK\$3 million. The majority of the current period turnover was derived from trading businesses of the “Memorex” branded products, which amounted to HK\$1,730 million. An increase of around 7% in turnover as compared with that of HK\$1,613 million for the corresponding period last year was achieved by sales mainly to the North American and European markets. The gross profits of the current period recorded an increase of HK\$28 million (9%) as compared with that of the same period last year. Although the profit from operations of HK\$49 million for the current period represented 42% of that of the same period last year, as the Group suffered huge losses during the second half of the last financial year ended March 31, 2001, it signified a turnaround from a loss from operations of HK\$106 million in the last whole year to a profit from operations of HK\$49 million for this interim period.

Under the economic downturn of the world markets since the last quarter of 2000, the Group had experienced a significant loss in the financial year 2000/2001. After almost a year’s striving for better market shares and selection of quality investment portfolio, the Group is glad to have recorded an unaudited profit attributable to shareholders of approximately HK\$3 million for this interim results. Speaking from experiences, the Group has been maintaining a satisfactory growth in sales volume and an acceptable net operating profit derived from the “Memorex” branded products trading businesses in the world-wide markets since 1998.

Liquidity and Financial Resources

Cash balances at September 30, 2001 stood at HK\$383 million (At 3/31/2001: HK\$596 million) accounted for 19% (At 3/31/2001: 30%) of the net tangible asset value of the Group (“NTAV”). The current ratio (current assets/current liabilities) of the Group at September 30, 2001 was 1.32 (At 3/31/2001: 1.32).

As at September 30, 2001, total borrowings of the Group amounted to HK\$1,327.6 million (At 3/31/2001: HK\$1,402.3 million), of which HK\$9.8 million were not repayable within one year. The borrowings included convertible note of HK\$385.9 million, bank borrowings of HK\$514.4 million, other loans of HK\$341.7 million, overdrafts of HK\$80.8 million and obligations under finance leases and hire purchase contracts of HK\$4.8 million.

Gearing Ratio

The gearing ratio (borrowings/shareholders’ funds) at September 30, 2001 was 61% (At 3/31/2001: 65%).

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars and United States Dollars. The exposure to the foreign exchange fluctuation is not significant to the Group. Interest rates of the loans are ranging from Libor or Hibor plus for import loans and Prime plus for overdraft facilities. So far, the Group did not enter into any interest rate or foreign currency speculative and hedging activities.

BUSINESS AND OPERATION REVIEW

Trading Operations

Sales on the Memorex® operations side of the Group continued to grow during the first six months ended September 30, 2001. Increased penetration in market share, geographic regions and product categories contributed to boost turnover in the computer related products categories.

In the United States, revenues in the computer related segment increased to approximately US\$105.4 million (equivalent to approximately HK\$820.8 million) for the six months ended September 30, 2001, representing an 11.5% increase from the same period last year. In particular, optical media unit sales enjoyed strong growth. Consumer confidence in the Memorex® brand is evident in the United States as Memorex® maintains its market share leadership position for optical media for the eighth consecutive quarter.

In Europe, the Group focused on further growth and expansion. By the end of the six months ended September 30, 2001, the Group was ranked number three in CD-R media sales overall in the European market. Significant efforts were also made to increase market penetration of Memorex® products in Europe during the period. Computer related Memorex® branded products can now be found in almost every major European retail chain, including Tesco's, the biggest retailer in the United Kingdom.

During the period, the Group launched a new line of input devices using Memorex®'s own designs through creative molds that have a distinctive look and free. By leveraging on the strength of the Memorex® brandname, the Group anticipates that these new products will enable it to secure a strong presence in both the United States and European markets.

In the coming six months, the Group will further push to achieve greater market share in all product categories and further revenue growth.

Other Matters

Tender of Shares in Oxford Properties Group Inc.

On August 20, 2001, the Company, together with its indirect wholly-owned subsidiaries, Gold Colt Enterprises Limited and Kurrana Limited (collectively referred to as the "Vendors") entered into an agreement (the "Agreement") with BPC Properties Ltd. (the "Offeror") and others, pursuant to which the Offeror agreed, subject to certain conditions, to make an offer (the "Offer") to all the shareholders of Oxford Properties Group Inc. ("Oxford") to acquire all the shares in the capital of Oxford held by them at an offer price of CAD23.75 per common share. The Vendors agreed pursuant to the terms of the Agreement to tender 4,556,976 common shares in the capital of Oxford in connection with the Offeror's Offer.

The Offeror is owned by BPC Real Estate Holdings Trust and Ontario Municipal Employees Retirement System (“OMERS”), one of the largest pension plans in Canada. On October 17, 2001, Oxford and OMERS announced that the Offeror had taken up all the Oxford shares tendered pursuant to the Offer. In total, approximately 98.6% of the outstanding Oxford shares not previously owned by OMERS and the Offeror were taken up. As the Offer was accepted by holders of more than 90% of the Oxford shares that were subject to the Offer, the Offeror proceeded to exercise its statutory right to acquire the remaining Oxford shares. In connection with the Offer, the Group received approximately CAD108.2 million (equivalent to approximately HK\$537.9 million).

Further details of the Offer have been disclosed in the Company’s announcement dated August 23, 2001 and the Company’s circular dated September 13, 2001.

Adoption of a New Share Option Scheme

At the annual general meeting (the “AGM”) of the Company held on August 21, 2001, the shareholders approved, amongst other matters, the termination of the then Company’s existing share option scheme (the “Existing Scheme”) and the adoption of a new share option scheme (the “New Scheme”). The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has granted its approval of the New Scheme and the grant of options thereunder and for the listing of and permission to deal in the shares that are issuable pursuant to the exercise of the options granted under the New Scheme.

Adopted by the Company on November 28, 1991, the Existing Scheme had a period of 10 years, but was early terminated pursuant to an ordinary resolution being passed at the AGM. As at the date of the AGM, options entitling the holders thereof to subscribe for up to 348,227,280 shares of the Company granted under the Existing Scheme were outstanding. All the outstanding options granted under the Existing Scheme have now lapsed.

Under the New Scheme, the maximum number of shares in respect of which options may be granted shall be such number which shall represent 10% of the issued ordinary share capital of the Company from time to time, excluding any shares issued on the exercise of options granted pursuant to the New Scheme or any other scheme.

The principal terms of the New Scheme have been disclosed in the circular of the Company dated July 24, 2001.

Final Dividend for the year ended March 31, 2001

On July 20, 2001, the Company announced that the Board recommended the payment of a final dividend of HK0.15 cent per share of HK\$0.025 each in the capital of the Company for the year ended March 31, 2001 to shareholders whose names appeared on the register of members of the Company on Tuesday, August 21, 2001 (the “Record Date”) and that shareholders would be given the option to receive shares of HK\$0.025 each (“New Shares”) in the capital of the Company in lieu of cash in respect of part or all of such dividend (the “Scrip Dividend Scheme”). The recommended final dividend was approved at the AGM.

As at the record date, 6,431,180,290 shares were outstanding. The Company paid HK\$9,505,979.26 cash and issued 1,372,233 New Shares under the Scrip Dividend Scheme. The New Shares issued rank *pari passu* in all respects with the existing shares of the Company, and the Listing Committee of the Stock Exchange has granted its approval for the listing of and permission to deal in the New Shares issued pursuant to the Scrip Dividend Scheme. Further details of the final dividend and the Scrip Dividend Scheme are disclosed in the Company's circular dated August 21, 2001.

OUTLOOK

As we are near the end of the calendar year, it is disheartening to see that worldwide economies have not improved significantly since the beginning of 2001. The event of September 11 shocked not only the United States but had a tremendous impact on the rest of the world. Worldwide financial markets were also not immune to this devastating blow to the strong U.S. economy.

Despite the war on terrorism, it is important to remember that life must still go on. Confidence must be regained in all walks of life, including trust in one's security. Although consumer spending may definitely be affected in the near future, the Group believes that the well established Memorex® brand will be assured to have a secure position in the minds of consumers who associate this well-known brandname with that of quality.

During the period under review, the Group experienced positive revenue growth in its trading operations. In our other business segments, the Group decided to review new investment opportunities with some conservatism. Given the state of worldwide markets, the Group did not proceed with any major acquisitions in the last six months and believes that this was a prudent approach to take.

As we enter into a new year, we wait in anticipation to see if the world will be victorious in its war against terrorism. Some uncertainty will be inevitable. Nevertheless, the Group will vigorously strive to achieve a healthy performance for the remaining fiscal year keeping the enhancement of shareholder value as its underlying focus.

DIRECTORS' INTERESTS IN SECURITIES

As at September 30, 2001, the interests of the Directors of the Company in the securities of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register kept by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

(a) Ordinary Shares, Warrants and Convertible Note of the Company

Name of Director	Nature of interest	Number of shares held	Amount of warrants held HK\$	Principal amount of convertible note HK\$
Chan Kwok Keung, Charles (<i>note 1</i>)	Corporate	1,778,028,504	70,226,716.14	385,900,000.00 (<i>note 2</i>)

Notes:

- (1) Dr. Chan Kwok Keung, Charles (“Dr. Chan”) is deemed to have corporate interests in 1,778,028,504 shares, warrants in the amount of HK\$70,226,716.14 and a convertible note with a principal amount of HK\$385,900,000.00 of the Company by virtue of his interest in Chinaview International Limited (“Chinaview”). These interests were detailed and duplicated with the interests as shown in the paragraph “Substantial Shareholders” below.
- (2) ITC Corporation Limited (“ITC”) is interested in the convertible note of the Company with a principal amount of HK\$385,900,000.00. The convertible note may be converted at any time two years from the date of issue (i.e. January 11, 2000 until January 11, 2002). Assuming full conversion of such convertible note at a conversion price of HK\$1.09 per share (subject to adjustment), a total of 354,036,697 new shares will be issued to ITC or as it may direct. Dr. Chan is taken to have interests in such convertible note pursuant to Section 8 of the SDI Ordinance.

(b) Share Options of the Company

Name of Director	Date of Grant	Exerciseable Period	Exercise Price HK\$	Balance at April 1, 2001	Granted during the period	Balance at September 30, 2001
Dr. Chan	1.27.2000	1.27.2000–11.27.2001	0.70900	75,000,000	–	75,000,000
	8.14.2000	8.14.2000–11.27.2001	0.26800	13,500,000	–	13,500,000
	8.31.2001	8.31.2001–8.30.2006	0.07472	–	160,000,000	160,000,000
Yap, Allan	1.27.2000	1.27.2000–11.27.2001	0.70900	63,000,000	–	63,000,000
	8.14.2000	8.14.2000–11.27.2001	0.26800	25,500,000	–	25,500,000
	8.31.2001	8.31.2001–8.30.2006	0.07472	–	130,000,000	130,000,000
Chan Kwok Hung	1.27.2000	1.27.2000–11.27.2001	0.70900	15,000,000	–	15,000,000
	8.14.2000	8.14.2000–11.27.2001	0.26800	15,000,000	–	15,000,000
	8.31.2001	8.31.2001–8.30.2006	0.07472	–	70,000,000	70,000,000
Cheung Kwok Wah, Ken	8.31.2001	8.31.2001–8.30.2006	0.07472	–	30,000,000	30,000,000
Yuen Tin Fan, Francis	1.27.2000	1.27.2000–11.27.2001	0.70900	18,000,000	–	18,000,000
	8.14.2000	8.14.2000–11.27.2001	0.26800	9,000,000	–	9,000,000
Ma Si Hang, Frederick	1.27.2000	1.27.2000–11.27.2001	0.70900	7,500,000	–	7,500,000
	8.14.2000	8.14.2000–11.27.2001	0.26800	7,500,000	–	7,500,000
Tsang Link Carl, Brian	8.14.2000	8.14.2000–11.27.2001	0.26800	1,500,000	–	1,500,000

Note: According to the Company’s share option scheme, the cash consideration paid by each Director for each grant of the share option is HK\$1.00.

(c) Share Options in associated corporation

Name of director	Name of associated corporation	Nature of interest	Number of share options held <i>(Note)</i>
Yap, Allan	STAREASTnet.com Corporation	Personal	1,000,000
Chan Kwok Hung	STAREASTnet.com Corporation	Personal	1,000,000

Note: The share options are granted on May 26, 2000 and are exercisable in accordance with the terms of the pre-IPO share option scheme of STAREASTnet.com Corporation at a subscription price of HK\$1.18 at any time during a period commencing 1 year after the date of grant and ending 5 years after the date of grant in accordance with the following schedule:

Period since date of grant	Percentage of shares comprised in options which become exercisable
Year 1	Zero
Year 2	up to 25%
Year 3	up to 50% (less the percentage of shares which arose upon the exercise of share options between the first anniversary and the second anniversary)
Year 4	up to 75% (less the percentage of shares which arose upon the exercise of share options between the first anniversary and the third anniversary)
Year 5	all shares in respect of which the share options have not been previously exercised

Other than disclosed above, as at September 30, 2001, none of the Directors of the Company had any personal, family, corporate or other interests in any securities of the Company or any of associated corporations, within the meaning of the SDI Ordinance, and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right as recorded in the register kept by the Company under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules.