

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", and on a basis consistent with the accounting policies adopted by the Group in preparation of its financial statements for the year ended 31st March 2001.

(2) Capital Reorganisation and Share Consolidation

Pursuant to a special resolution and an ordinary resolution passed at a special general meeting of the Company held on 24th October 2001, the Proposal for Capital Reorganisation and Share Consolidation (as defined in the Circular dated 5th October 2001) was approved and the following matters, inter alia, were executed:

Capital Reorganisation

- (a) the issued share capital of the Company was reduced by HK\$297,514,692 from HK\$330,571,880 to HK\$33,057,188 by cancelling its paid up capital to the extent of HK\$0.09 on each of the shares of nominal value HK\$0.10.
- (b) the credit of HK\$297,514,692 arising from (a) above was applied towards eliminating part of the accumulated losses of the Group as at 31st March 2001 of approximately HK\$390,322,000.
- (c) the balance standing to the credit of the share premium account of HK\$233,973,000 was reduced by HK\$223,973,000 to HK\$10,000,000 and the credit arising therefrom was further applied towards eliminating the remaining part of the accumulated losses as in (b) above, and the balance of approximately HK\$131,165,692 was credited to the contributed surplus account of the Group.

Share Consolidation

- (d) upon completion of the Capital Reorganisation, every ten issued shares of nominal value HK\$0.01 was consolidated into one share.

(3) 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 Operating	
	6 months ended		(loss)/gain	
	30th September		30th September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of magnetic media products	17,784	29,541	(6,287)	(3,262)
Property development	—	—	1,459	(3,003)
	<u>17,784</u>	<u>29,541</u>	<u>(4,828)</u>	<u>(6,265)</u>
Interest income			<u>378</u>	<u>1,300</u>
Operating loss before finance costs			<u>(4,450)</u>	<u>(4,965)</u>

(b) By geographical location:

	Turnover		Segment Operating	
	6 months ended		(loss)/gain	
	30th September		30th September	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	689	1,425	(2,236)	(197)
Japan	–	43	–	(15)
USA and Canada	1,066	12,276	(2,459)	(3,510)
Europe	–	212	–	(68)
People's Republic of China	15,290	15,507	314	551
Australia	–	–	1,259	(3,003)
Others	739	78	(1,706)	(23)
	<u>17,784</u>	<u>29,541</u>	<u>(4,828)</u>	<u>(6,265)</u>
Interest income			<u>378</u>	<u>1,300</u>
Operating loss before finance costs			<u>(4,450)</u>	<u>(4,965)</u>

(4) Operating loss

Operating loss is arrived at after crediting and charging the following:

	6 months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
<i>Crediting</i>		
Net gain on disposal of fixed assets	536	–
Dividend income from listed investments	33	17
Unrealised gain on valuation of listed investments	31	174
Rental income	62	52
	<u>622</u>	<u>243</u>
<i>Charging</i>		
Depreciation	3,592	3,843
	<u>3,592</u>	<u>3,843</u>

(5) Taxation

No provision for Hong Kong and overseas profits tax has been made for the six months ended 30th September 2001 as the Group has no assessable profits for the period concerned.

(6) Loss per share

The calculation of loss per share is based on the unaudited consolidated loss attributable to shareholders of HK\$5,128,000 (2000: loss of HK\$6,127,000) and on 3,305,718,800 (2000: 3,305,718,800) shares in issue during the period.

(7) Accounts receivable and prepayments

Included in accounts receivable and prepayments are trade debtors and their aging analysis as at 30th September 2001 is as follows:

	30th September 2001	31st March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	372	606
1 to 3 months	101	88
4 to 6 months	22	11
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	495	705
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(8) Accounts payable and accrued charges

An aging analysis of trade payables as at 30th September 2001 is set out as follows:

	30th September 2001	31st March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	107	196
1 to 3 months	47	140
4 to 6 months	—	94
over 6 months	352	85
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	506	515
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(9) Reserves

	30th September 2001	31st March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share premium	233,973	233,973
Exchange reserve	(6,582)	(6,803)
Accumulated losses	(395,450)	(390,322)
	(168,059)	(163,152)

(10) Comparative figures

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

(11) Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group in the preparation of the Unaudited Interim Financial Statements.