

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 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 2002 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 2002 except for the adoption of the following revised and new SSAPs which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The changes in the Group’s accounting policies resulting from the adoption of these new practices are set out below:

(a) SSAP 1 (revised) : Presentation of financial statements

The consolidation statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) SSAP 15 (revised) : Cash flow statements

The presentation and classification of items in the cash flow statement have been changed due to the adoption of SSAP 15 (revised). As a result, cash flow during the period has been reclassified by operating, investing and financing activities. For the six months ended 30 September 2002, dividend and interest received of HK\$71,000 (2001: HK\$281,000) have been reclassified as investing cash flow.

(2) Capital Reorganisation and Share Consolidation

Pursuant to a special resolution passed at a special general meeting of the Company held on 24 October 2001, the issued share capital of the company decreased from HK\$330,571,880 to HK\$33,057,188 by carrying out (i) the Capital Reorganisation Scheme and (ii) the Share Consolidation Scheme. The details of the Capital Reorganisation Scheme and the Share Consolidation Scheme are as follows:

(i) Capital Reorganisation Scheme

- (a) the nominal value of each of the ordinary shares in issue before the Capital Reorganisation was reduced by HK\$0.09 from HK\$0.10 to HK\$0.01 (the Reduction of Capital) and the nominal value of each of the authorised but unissued ordinary shares was subdivided into 10 unissued ordinary shares of HK\$0.01 each (the Subdivision of Capital). The authorised share capital of the Company immediately preceding the implementation of the Capital Reorganisation Scheme was HK\$400,000,000 comprising 4,000,000,000 ordinary shares of HK\$0.10 each, of which 3,305,718,800 ordinary shares were in issue and credited as fully paid. On the basis of 3,305,718,800 ordinary shares in issue, at the time of the Reduction of Capital, a credit of HK\$297,514,692 arised as a result of the Reduction of Capital pursuant to the Capital Reorganisation Scheme and the issued share capital of the company was reduced from HK\$330,571,880 to HK\$33,057,188. Upon completion of the Reduction of Capital and Subdivision of Capital, the authorised share capital of the Company remained at HK\$400,000,000, with 40,000,000,000 ordinary shares of HK\$0.01 each, of which 3,305,718,800 ordinary shares were in issue and credited as fully paid with 36,694,281,200 as unissued ordinary shares;
- (b) the credit of HK\$297,514,692 arising as a result of the Capital Reorganisation was applied towards eliminating part of the accumulated losses of the Group which stood at approximately HK\$390,322,000 at 31 March 2001; and
- (c) the balance of the share premium account which stood at approximately HK\$233,973,000 at the time of implementation of the Capital Reorganisation Scheme 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 of the Group at 31 March 2001 from (b) above. Having fully eliminated all accumulated losses, the balance of approximately HK\$131,166,000 was then credited to the Contributed Surplus Account of the Group.

(ii) *Share Consolidation Scheme*

Upon the completion of the Capital Reorganisation Scheme, a consolidation of the ordinary shares was effected pursuant to which every 10 issued and unissued ordinary shares were consolidated into 1 ordinary share. Immediately following the implementation of the Share Consolidation Scheme, the authorised share capital of the Company remained at HK\$400,000,000 comprising 4,000,000,000 ordinary shares of HK\$0.10 each of which 330,571,880 ordinary shares were in issue and credited as fully-paid.

(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 Results	
	Six months ended		Six months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of magnetic media products	12,418	17,784	(11,611)	(6,287)
Property development	28,899	—	996	1,459
	41,317	17,784	(10,615)	(4,828)
Other revenue			6	378
Operating loss before finance costs			(10,609)	(4,450)

(3) Segment information (continued)*(b) By geographical location*

	Turnover		Segment Results	
	Six months ended 30 September		Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	162	689	(1,449)	(2,236)
USA and Canada	1,252	1,066	(2,823)	(2,459)
People's Republic of China	10,056	15,290	(5,486)	314
Australia	28,963	—	1,019	1,259
Others	884	739	(1,876)	(1,706)
	<u>41,317</u>	<u>17,784</u>	<u>(10,615)</u>	<u>(4,828)</u>
Other revenue			<u>6</u>	<u>378</u>
Operating loss before finance costs			<u>(10,609)</u>	<u>(4,450)</u>

(3) Segment information (continued)*(c) Financial positions*

	2002 HK\$'000	2001 HK\$'000
Assets		
Segment assets		
Sales of magnetic media products	28,036	49,739
Property development	70,580	84,056
Other revenue	3,920	10,788
Unallocated corporate assets	67,138	44,132
	169,674	188,715
Liabilities		
Segment liabilities		
Sales of magnetic media products	12,394	6,754
Property development	659	24
Other revenue	67	—
Unallocated corporate liabilities	8,398	11,469
	21,518	18,247
Net Assets	148,156	170,468

(4) Operating loss

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

	For six months period ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Crediting		
Net gain on disposal of fixed asset	—	536
Dividend income from listed investments	23	33
Unrealised gain on valuation of listed investments	—	31
Rental income	59	62
Charging		
Depreciation	2,694	3,592
Retirement benefit costs	254	165
Staff costs (excluding directors' remuneration)	3,645	4,906
Compensation to former directors for loss of office	7,042	—
Loss on disposal of listed investments	124	—

(5) Finance costs

During the period, interest of HK\$232,000 (2001: HK\$678,000) was charged in respect of the Group's bank borrowings.

(6) Taxation

No provision for Hong Kong and overseas profits tax has been made for the 6 months ended 30 September 2002 as the Group has no assessable profits for the period concerned.

(7) Loss per share

The calculation of loss per share is based on the unaudited consolidated loss attributable to shareholders of HK\$10,841,000 (2001: loss of HK\$5,128,000) and on 330,571,880 (2001: 330,571,880) shares in issue during the period on the assumption that the capital reorganisation as described in Note (2) would have been completed in the financial period ended 30 September 2001. The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 2002 and 30 September 2001.

(8) Accounts receivable and prepayments

Included in accounts receivable and prepayments are trade debtors and their aging analysis as at 30 September 2002 is as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Less than 30 days	4,402	125
1 to 3 months	584	34
	<u>4,986</u>	<u>159</u>

(9) Accounts payable and accrued charges

An aging analysis of trade payables as at 30 September 2002 is set out as follows:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Less than 30 days	118	154
1 to 3 months	71	132
Over 3 months	81	146
	<u>270</u>	<u>432</u>

(10) Share capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30 September 2002 and 31 March 2002	<u>4,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 30 September 2002 and 31 March 2002	<u>330,571,880</u>	<u>33,057</u>

(11) Capital commitments

At 30 September 2002, the Group had the following capital commitments:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Capital expenditure in respect of contracted commitment for: construction of residential property in Pudong, Shanghai	44,792	—
capital contribution to an associate	3,471	—
	<u>48,263</u>	<u>—</u>

(12) Pledge of assets

At 30 September 2002, the Group has pledged certain assets as listed below to secure the general banking facilities and bank mortgage loans granted to the Group:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Bank deposits	3,067	5,535
Land and buildings at net book value	<u>32,994</u>	<u>33,336</u>

(13) Comparative figures

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

(14) Approval of the interim financial report

This interim financial report was approved by the Board of Directors on 19 December 2002.