

**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 2003 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 2003 except that in the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes".

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

**(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 30 September		Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Sales of data storage media products and related equipment	8,339	12,418	148	(11,611)
Sales of property under development	97,556	28,899	16,359	996
Sales of wine	3,863	—	(2,012)	—
	<u>109,758</u>	<u>41,317</u>	<u>14,495</u>	<u>(10,615)</u>
Other revenue			<u>394</u>	<u>6</u>
Operating profit/(loss) before finance costs			<u>14,889</u>	<u>(10,609)</u>

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

	Turnover		Segment Results	
	Six months ended		Six months ended	
	30 September		30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	9	162	(978)	(1,449)
USA and Canada	1,276	1,252	227	(2,823)
People's Republic of China	107,781	10,056	16,765	(5,486)
Australia	—	28,963	(1,641)	1,019
Others	692	884	122	(1,876)
	<u>109,758</u>	<u>41,317</u>	<u>14,495</u>	<u>(10,615)</u>
Other revenue			<u>394</u>	<u>6</u>
Operating profit/(loss)			<u>14,889</u>	<u>(10,609)</u>
before finance costs				

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

	2003 HK\$'000	2002 HK\$'000
<b>Assets</b>		
Sales of data storage media		
products and related equipment	25,728	28,036
Sales of property under development	101,074	70,580
Sales of wine	41,446	—
Other revenue	—	3,920
Unallocated corporate assets	39,587	67,138
	<u>207,835</u>	<u>169,674</u>
<b>Liabilities</b>		
Sales of data storage media		
products and related equipment	1,641	12,394
Sales of property under development	38,874	659
Sales of wine	17,374	—
Other revenue	—	67
Unallocated corporate liabilities	317	8,398
	<u>58,206</u>	<u>21,518</u>
<b>Net Assets</b>	<u>149,629</u>	<u>148,156</u>

**(3) Operating profit/(loss)**

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

For six months ended 30 September		
	2003 HK\$'000	2002 HK\$'000
<b>Crediting</b>		
Interest income	373	—
Interest from associated company	21	—
Dividend income from listed investment	—	23
Rental income	—	59
	<u>          </u>	<u>          </u>
<b>Charging</b>		
Depreciation	1,725	2,694
Retirement benefit costs	86	254
Staff costs (excluding directors' remuneration)	3,448	3,645
Compensation to former directors for loss of office	—	7,042
Loss on disposal of listed investments	—	124
Net currency exchange loss	1,057	—
Provision for redundancy costs	1,136	—
	<u>          </u>	<u>          </u>

**(4) Finance costs**

For six months ended 30 September		
	2003 HK\$'000	2002 HK\$'000
Interest expense on the Group's bank loans and overdrafts	1,062	232
Less: Interests capitalized	(828)	—
	<u>          </u>	<u>          </u>
	234	232
	<u>          </u>	<u>          </u>

**(5) Taxation**

	For six months ended	
	30 September	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong		
The Company and subsidiaries		
Under provision in prior year	183	—
	183	—
PRC		
Subsidiaries		
Current period provision	2,978	—
	2,978	—
	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) Profit/(Loss) per share**

The calculation of profit/(loss) per share is based on the unaudited consolidated profit/(loss) attributable to shareholders of HK\$11,494,000 (2002: loss of HK\$10,841,000) and on 330,571,880 (2002: 330,571,880) shares in issue during the period. The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 2003 and 30 September 2002.

**(7) Accounts receivables and prepayments**

Included in accounts receivable and prepayments are trade debtors and their aging analysis as at 30 September 2003 is as below:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Less than 30 days	669	833
1 to 3 months	115	1,614
Over 3 months	3,347	267
	<u>4,131</u>	<u>2,714</u>

**(8) Accounts payable and accrued charges**

An aging analysis of trade payables as at 30 September 2003 is set out as below:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Less than 30 days	2,078	2,271
1 to 3 months	1,377	1,789
Over 3 months	4,506	1,352
	<u>7,961</u>	<u>5,412</u>

**(9) Share capital**

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30 September 2003 and 31 March 2003	<u>4,000,000,000</u>	<u>400,000</u>
Issued and fully paid:		
At 30 September 2003 and 31 March 2003	<u>330,571,880</u>	<u>33,057</u>

**(9) Share capital (continued)**

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.

No options were granted under the scheme up to 15 December 2003.

**(10) Capital commitments**

At 30 September 2003, the Group had the following capital commitments:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Capital expenditure in respect of contracted commitment for:		
Acquisition of interest in an unlisted company in PRC	2,482	—
Long-term investment	—	1,560
	<u>2,482</u>	<u>1,560</u>

**(11) Pledge of assets**

At 30 September 2003, the Group has pledged certain assets as listed below to secure the general banking facilities granted to the Group:

	30 September 2003 HK\$'000	31 March 2003 HK\$'000
Bank deposits	3,088	6,197
Land and buildings at net book value	<u>7,703</u>	<u>19,236</u>

**(12) Comparative figures**

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

**(13) Approval of the interim financial report**

This interim financial report was approved by the Board of Directors on 15 December 2003.