

## Interim Report 2000/2001

**NOTES TO THE ACCOUNTS****1 Basis of preparation**

These interim financial statements are unaudited and have been prepared in accordance with the requirements of the Listing Rules of the Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The same accounting policies adopted in the audited accounts for the year ended 31st March 2000 have been applied to the interim financial statements.

**2 Segmental information**

	Turnover		Contribution to profit (loss) before taxation	
	Six months ended 30th September		Six months ended 30th September	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Trading of				
Audio-visual products	<b>71,031</b>	85,484	<b>357</b>	12,623
Assembling and distribution of goods				
Rear Projection colour TVs	<b>11,675</b>	20,519	<b>323</b>	3,730
DVD players	<b>14,133</b>	11,977	<b>143</b>	3,549
Digital cameras	—	—	<b>(180)</b>	—
	<b>96,839</b>	117,980	<b>643</b>	19,902
Less: Net interest expenses			<b>1,805</b>	3,352
			<b>(1,162)</b>	16,550
By geographical location:				
Hong Kong	<b>37,582</b>	57,385	<b>(5,749)</b>	506
Mainland China	<b>59,257</b>	60,595	<b>4,587</b>	16,044
	<b>96,839</b>	117,980	<b>(1,162)</b>	16,550

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**3 Profit from operations**

Profit from operations is stated after charging the following:

	<b>Six months ended 30th September</b>	
	<b>2000</b> HK\$'000	1999 HK\$'000
<b>Charging</b>		
Cost of inventories sold	<b>84,615</b>	89,640
Depreciation of owned fixed assets	<b>1,591</b>	633
Depreciation of fixed assets held under hire purchase contracts	<b>58</b>	—
Exchange loss	<b>98</b>	443
Loss on disposal of fixed assets	<b>27</b>	—
Provision on slow moving inventories	—	161
Revaluation deficit in respect of investment properties and leasehold land and buildings	—	89

**4 Finance costs**

	<b>Six months ended 30th September</b>	
	<b>2000</b> HK\$'000	1999 HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	<b>2,746</b>	3,976
Interest element of hire purchase contracts	<b>10</b>	—
	<b>2,756</b>	3,976

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**5 Taxation**

The taxation comprises:

	<b>Six months ended 30th September</b>	
	<b>2000</b> HK\$'000	1999 HK\$'000
Hong Kong profits tax		
– current (note a)	–	190
– overprovision in previous year	<b>(260)</b>	–
Deferred taxation (note d)	–	–
	<b>(260)</b>	190

- a** No Hong Kong profits tax has been provided as there is no estimated profit for the period (1999: 16%).
- b** No PRC profits tax has been provided for in the financial statements as the subsidiary operating in Beijing is granted full exemption until 31st December 2000, followed by a 50% reduction in the profits tax rate for the next three years.
- c** Taxation in the balance sheet represents the amount of Hong Kong profits tax provided for the current period and previous year less provisional tax paid.
- d** There was no significant unprovided deferred taxation as at 30th September 2000.

**6 Profit (Loss) attributable to shareholders**

The (loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$(369,629) (1999: HK\$Nil).

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**7 Dividends**

	<b>Six months ended 30th September</b>	
	<b>2000</b> HK\$'000	1999 HK\$'000
Interim dividend proposed, of HK\$Nil (1999: note a)	—	38,580

- a** The interim dividend HK\$38,580,000 for the six months ended 30th September 1999 was paid by subsidiaries to their then shareholders before group reorganisation.

The dividend rates and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of these consolidated accounts.

**8 Earnings (Loss) per share – Basic**

The calculation of earnings (loss) per share is based on (loss) attributable to shareholders for the period ended 30th September 2000 of HK\$(853,000) (1999: profit of HK\$15,473,000) and on 200,000,000 ordinary shares in issue during the period (1999: 200,000,000 shares deemed to be in issue).

Diluted earnings per share for the six months ended 30th September 2000 and 1999 respectively was not disclosed as there were no dilutive potential ordinary shares.

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**9 Fixed assets**

	<b>Owned</b> HK\$'000	<b>Hire purchase</b> HK\$'000	<b>As at 30th September 2000 Total</b> HK\$'000
At 1st April 2000	23,049	—	23,049
Exchange adjustment	(259)	—	(259)
Additions	3,612	1,170	4,782
Disposals	(40)	—	(40)
Depreciation	(1,591)	(58)	(1,649)
<b>At 30th September 2000</b>	<b>24,771</b>	<b>1,112</b>	<b>25,883</b>

**10 Accounts receivable**

Credit is offered to customers predominantly for 3 months after careful review. Credit over 3 months are only offered to selective customers with good payment record.

An ageing analysis of accounts receivable as at 30th September 2000 is as follows:

	<b>As at 30th September 2000</b> HK\$'000	<b>As at 31st March 2000</b> HK\$'000
0 – 1 month	<b>45,170</b>	40,025
2 – 3 months	<b>28,556</b>	26,467
Over 3 months	<b>52,619</b>	76,962
	<b>126,345</b>	143,454
Less: Provision for doubtful debts	<b>1,093</b>	1,093
	<b>125,252</b>	142,361

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**11 Accounts payable**

An ageing analysis of accounts payable as at 30th September 2000 is as follows:

	<b>As at 30th September 2000</b> HK\$'000	<b>As at 31st March 2000</b> HK\$'000
0 – 1 month	<b>13,474</b>	6,110
2 – 3 months	—	—
Over 3 months	<b>264</b>	266
	<b>13,738</b>	6,376

**12 Obligations under hire purchase contracts**

	<b>As at 30th September 2000</b> HK\$'000	<b>As at 31st March 2000</b> HK\$'000
Payable not later than one year	<b>312</b>	—
Payable later than one year and not later than five years (note 15)	<b>469</b>	—
Payable later than five years	—	—
	<b>781</b>	—

**13 Share capital**

There was no movement in the share capital during the current period.

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**14 Reserves**

	<b>Share premium</b> HK\$'000	<b>Revaluation reserve</b> HK\$'000	<b>Capital reserve</b> HK\$'000	<b>Exchange Fluctuation reserve</b> HK\$'000	<b>Retained profits</b> HK\$'000	<b>Total</b> HK\$'000
At 1st April 2000	36,583	482	69,903	0	27,251	134,219
Exchange differences	—	—	—	(3,678)	—	(3,678)
Profit (loss) for the period	—	—	—	—	(853)	(853)
Listing expenses underpaid	(88)	—	—	—	—	(88)
<b>At 30th September 2000</b>	<b>36,495</b>	<b>482</b>	<b>69,903</b>	<b>(3,678)</b>	<b>26,398</b>	<b>129,600</b>

The exchange fluctuation reserve is dealt with in accordance with the accounting policies of translation of the accounts of subsidiaries expressed in foreign currencies.

**15 Non-current liabilities**

	<b>As at 30th September 2000</b> HK\$'000	<b>As at 31st March 2000</b> HK\$'000
Deferred taxation	<b>121</b>	121
Obligations under hire purchase contracts (note 12)	<b>469</b>	—
	<b>590</b>	121

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**16 Reconciliation of profit (loss) before taxation to net cash inflow from operating activities**

	Six months ended 30th September	
	2000 HK\$'000	1999 HK\$'000
Profit (Loss) before taxation	<b>(1,162)</b>	16,550
Interest income	<b>(951)</b>	(624)
Interest on bank loans and overdrafts wholly repayable within five years	<b>2,746</b>	3,976
Interest element of hire purchase contracts	<b>10</b>	—
Depreciation of owned fixed assets	<b>1,591</b>	633
Depreciation of fixed assets held under hire purchase contracts	<b>58</b>	—
Revaluation deficit in respect of investment properties and leasehold land and buildings	—	89
Loss on disposal of other fixed assets	<b>27</b>	—
(Increase)/decrease in inventories	<b>2,251</b>	(11,181)
Decrease in amounts due from related companies and directors	—	38,270
(Increase)/decrease in accounts receivable, prepayments, deposits and other receivables	<b>(506)</b>	8,891
Increase/(decrease) in accounts payable, accrued charges and other payables including amounts due to directors	<b>7,526</b>	(1,053)
<b>Net cash inflow from operating activities</b>	<b>11,590</b>	55,551

**17 Analysis of balances of cash and cash equivalents**

	As at 30th September 2000 HK\$'000	As at 31st March 2000 HK\$'000
	Cash and bank balances	<b>3,250</b>
Trust receipt loans (note 18)	<b>(49,893)</b>	(65,060)
Bank overdrafts – secured (note 18)	—	(557)
	<b>(46,643)</b>	(48,908)



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**18 Banking facilities**

At 30th September 2000, the Group's banking facilities of HK\$167 million (31st March 2000: HK\$156 million) are secured by the following:

- i legal charges over the investment properties and leasehold land and buildings held by the Group in Hong Kong with an aggregate carrying value of HK\$11,147,000;
- ii charge on time deposits of HK\$29,580,000 held by the Group;
- iii corporate guarantee given by a subsidiary amounting to HK\$49,000,000;
- iv corporate guarantee given by the Company amounting to HK\$69,000,000;
- v joint and several guarantees by certain directors of the Company amounting to HK\$88,500,000.

The relevant bank has agreed in principle to release the guarantees mentioned in note v above and replace by guarantees given by the Company.

**19 Contingent liabilities**

At 30th September 2000, the Company has provided corporate guarantee of HK\$69,000,000 (At 31st March 2000: HK\$22,000,000) in favour of banks to secure banking facilities granted to certain subsidiaries.

**20 Commitments under operating leases**

As at 30th September 2000, the Group had commitment in respect of land and buildings to make payments in the next twelve months under operating leases which expire as follows:

	<b>As at 30th September 2000 HK\$'000</b>	<b>As at 31st March 2000 HK\$'000</b>
Within one year	—	102
In the second to fifth year inclusive	<b>738</b>	1,249
	<b>738</b>	1,351