

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Accounting policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold properties at the year end date.

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25") except that comparative figures are not presented for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting periods ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 30 June 2000, except as described below.

Revised Statement of Standard Accounting Practice No. 14 "Leases" issued by the Hong Kong Society of Accountants, which has been adopted for the first time in this interim reporting period, has introduced some amendments to the basis of accounting for finance and operating leases. In particular, it has required a change in the basis of measuring finance income from finance leases from the net cash investment method to the net investment method. This change has not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required.

Comparative figures in the condensed consolidated income statement have been restated to conform with current period's presentation.

## 2. Segment Information

The Group's turnover and contribution to (loss) profit from operations by principal activity and geographical location are summarised as follows:

	Turnover		Contribution to (loss) profit from operations	
	Six months ended 31 December		Six months ended 31 December	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
By principal activity:				
Manufacture and sale of				
Toys and games products	61,616,173	116,232,492	(3,932,788)	(791,032)
Multimedia electronic products	146,526,717	36,806,794	3,481,300	1,040,454
Trading in telecommunication products	48,111,952	38,811,322	(248,352)	1,184,829
Others	6,870,112	18,058,701	(1,543,617)	(72,724)
	<u>263,124,954</u>	<u>209,909,309</u>	<u>(2,243,457)</u>	<u>1,361,527</u>

	Turnover		Contribution to (loss) profit from operations	
	Six months ended 31 December		Six months ended 31 December	
	2000 HK\$	1999 HK\$	2000 HK\$	1999 HK\$
By geographical location:				
North America	141,178,569	131,997,678	2,410,125	2,368,996
Europe	65,351,461	56,202,527	(790,805)	1,394,062
Japan	47,520,360	5,143,244	(1,194,421)	(2,116,755)
Local and others	9,074,564	16,565,860	(2,668,356)	(284,776)
	<u>263,124,954</u>	<u>209,909,309</u>	<u>(2,243,457)</u>	<u>1,361,527</u>

### 3. Depreciation

During the period, depreciation of HK\$3,844,855 (HK\$3,937,108 for the six months ended 31 December 1999) was charged in respect of the Group's property, plant and equipment.

### 4. Taxation

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries have no assessable profits or the estimated assessable profits, if any, are wholly absorbed by tax losses brought forward.

### 5. Loss per share

The calculation of the basic loss per share is based on the net loss attributable to shareholders for the period of HK\$4,063,567 (HK\$291,728 for the six months ended 31 December 1999) and on the weighted average of 6,449,107,840 ordinary shares in issue throughout the period (weighted average of 3,047,205,185 ordinary shares for the six months ended 31 December 1999 after adjusting for the effects of the rights issue and the subdivision of shares for that period).

No diluted loss per share amount has been compiled and presented for the period as the effect of the assumed conversion of the Company's outstanding convertible bonds and share options would be anti-dilutive.

No diluted loss per share was presented for the six months ended 31 December 1999 as the exercise prices of the Company's share options were higher than the average fair value of the Company's shares for that period.

### 6. Trade and other receivables

Included in trade and other receivables are trade receivables of HK\$74,773,720 (at 30 June 2000: HK\$93,205,554). The Group allows an average credit period of 60-90 days to its trade customers.

The following is an aging analysis of trade receivables at the reporting date:

	<b>31 December 2000 HK\$</b>	30 June 2000 HK\$
0 – 90 days	47,735,541	62,780,704
> 90 days	27,038,179	30,424,850
	<b><u>74,773,720</u></b>	<b><u>93,205,554</u></b>

The Group is in the process of recovering a receivable of approximately HK\$18 million in respect of goods shipped to a former customer, North American Foreign Trading Corporation (“NAFT”) in 1996. NAFT has filed a Statement of Claim with the American Arbitration Association, in which it alleges that the Group manufactured and sold defective goods to NAFT for which NAFT is entitled to a refund. In addition, NAFT is claiming damages not exceeding US\$5 million. Based on legal advice, the Group is vigorously contesting the claims brought by NAFT and has counterclaimed for the said sum of HK\$18 million and for other damages. Accordingly, although it is not possible to determine the outcome of these proceedings with reasonable certainty at this time, no provision has been made in this interim financial report against the Group’s exposure in respect of this matter.

## 7. Trade and other payables

Included in trade and other payables are trade payables of HK\$71,201,862 (at 30 June 2000: HK\$83,169,190).

The following is an aging analysis of trade payables at the reporting date:

	<b>31 December 2000 HK\$</b>	30 June 2000 HK\$
0 – 90 days	<b>48,430,255</b>	65,009,796
> 90 days	<b>22,771,607</b>	18,159,394
	<b><u>71,201,862</u></b>	<u>83,169,190</u>

## 8. Share capital

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Nominal value HK\$</b>
Authorised:		
At 1 July 2000 and 31 December 2000	<u>20,000,000,000</u>	<u>200,000,000</u>
Issued and fully paid:		
At 1 July 2000 and 31 December 2000	<u>6,449,107,840</u>	<u>64,491,078</u>

9. Contingent liabilities

	31 December 2000 HK\$	30 June 2000 HK\$
Bills discounted with recourse	<u>1,671,126</u>	<u>2,059,098</u>