

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with the Hong Kong Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting". The accounting policies and basis of calculation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2000.

### 2. SEGMENT INFORMATION

The Group is principally engaged in investment in Internet, Internet-related, mobile phone and mobile phone-related activities, manufacture and trading of batteries, silicone rubber products and electronic finished products and trading of electronic parts and components. The results of operations by principal activities for the twelve months and six months ended 31 March 2001 are respectively summarised as follows:

	(Unaudited) For the twelve months ended 31 March 2001 HK\$'000	(Audited) For the year ended 31 March 2000 HK\$'000	(Unaudited) For the six months ended 31 March 2001 HK\$'000	(Unaudited) For the six months ended 31 March 2000 HK\$'000
<b>Turnover</b>				
Investment in Internet, Internet-related, mobile phone and mobile phone-related activities	-	-	-	-
Others	-	-	-	-
Total investment and other activities (Note (i))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Manufacture and trading of batteries	233,997	219,751	98,151	117,655
Manufacture and trading of electronic finished products	259,595	189,604	162,045	70,296
Trading of electronic parts and components	72,058	60,014	23,270	23,613
Manufacture and trading of silicone rubber products	29,355	23,780	12,648	10,786
Total manufacture and trading activities (Note (iii))	<u>595,005</u>	<u>493,149</u>	<u>296,114</u>	<u>222,350</u>
	<u>595,005</u>	<u>493,149</u>	<u>296,114</u>	<u>222,350</u>
<b>Contribution to profit/(loss) before tax</b>				
Investment in Internet, Internet-related, mobile phone and mobile phone-related activities	16,138	-	1,353	-
Others	1,311	(531)	669	(1,112)
Total investment and other activities (Note (iii))	<u>17,449</u>	<u>(531)</u>	<u>2,022</u>	<u>(1,112)</u>
Manufacture and trading of batteries	3,183	(23,056)	(5,314)	(17,620)
Manufacture and trading of electronic finished products	(13,364)	(90,769)	9,993	(76,270)
Trading of electronic parts and components	2,649	620	(981)	(955)
Manufacture and trading of silicone rubber products	4,014	(601)	1,415	(2,118)
Total manufacture and trading activities (Note (iv))	<u>(3,518)</u>	<u>(113,806)</u>	<u>5,113</u>	<u>(96,963)</u>
	<u>13,931</u>	<u>(114,337)</u>	<u>7,135</u>	<u>(98,075)</u>

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## 2. SEGMENT INFORMATION (continued)

Notes:

- (i) No turnover in relation to the Group's investment and other activities is noted for the twelve months and six months ended 31 March 2001 (for the year and six months ended 31 March 2000: nil) and accordingly no analysis of the turnover by geographical areas is presented.
- (ii) An analysis of the turnover in relation to the Group's manufacture and trading activities by geographical areas for the twelve months and six months ended 31 March 2001 are respectively as follows:

	<b>(Unaudited) For the twelve months ended 31 March 2001 HK\$'000</b>	(Audited) For the year ended 31 March 2000 HK\$'000	<b>(Unaudited) For the six months ended 31 March 2001 HK\$'000</b>	(Unaudited) For the six months ended 31 March 2000 HK\$'000
People's Republic of China (the "PRC")				
– Hong Kong (Note (v))	<b>261,915</b>	286,955	<b>88,530</b>	120,448
– Elsewhere	<b>62,120</b>	60,809	<b>24,773</b>	31,913
Asia (other than PRC)	<b>156,146</b>	28,455	<b>133,507</b>	15,451
Europe	<b>63,820</b>	65,844	<b>29,817</b>	29,685
America	<b>46,196</b>	46,990	<b>18,363</b>	22,841
Other countries	<b>4,808</b>	4,096	<b>1,124</b>	2,012
	<b><u>595,005</u></b>	<u>493,149</u>	<b><u>296,114</u></b>	<u>222,350</u>

- (iii) The contribution to profit/(loss) before tax in relation to the Group's investment and other activities by geographical areas for the twelve months and six months ended 31 March 2001 are respectively analysed as follows:

	<b>(Unaudited) For the twelve months ended 31 March 2001 HK\$'000</b>	(Audited) For the year ended 31 March 2000 HK\$'000	<b>(Unaudited) For the six months ended 31 March 2001 HK\$'000</b>	(Unaudited) For the six months ended 31 March 2000 HK\$'000
PRC				
– Hong Kong	<b>13,222</b>	(531)	<b>2,884</b>	(1,112)
– Elsewhere	<b>(1,667)</b>	–	<b>(862)</b>	–
Asia (other than PRC)	<b>5,894</b>	–	–	–
	<b><u>17,449</u></b>	<u>(531)</u>	<b><u>2,022</u></b>	<u>(1,112)</u>

- (iv) The contribution to profit/(loss) before tax in relation to the Group's manufacture and trading activities by geographical areas is substantially in line with the overall rate of such contribution to turnover and accordingly a geographical analysis of the contribution is not presented.
- (v) The Directors believe that many of the Group's products sold in Hong Kong have been subsequently re-exported by the Group's customers to other markets, but there are no means of identifying or quantifying the market for such sales.

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## 3. OTHER REVENUE

	(Unaudited) For the twelve months ended 31 March 2001 HK\$'000	(Audited) For the year ended 31 March 2000 HK\$'000	(Unaudited) For the six months ended 31 March 2001 HK\$'000	(Unaudited) For the six months ended 31 March 2000 HK\$'000
Interest income	39,720	4,595	17,973	3,840
Gain on disposal of investments	5,894	–	–	–
Tooling and subcontracting income	8,291	6,849	2,559	2,793
Exchange gains, net	2,334	1,737	925	797
Others	14,646	5,131	10,518	3,090
	<u>70,885</u>	<u>18,312</u>	<u>31,975</u>	<u>10,520</u>

## 4. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax was determined after charging the following:

	(Unaudited) For the twelve months ended 31 March 2001 HK\$'000	(Audited) For the year ended 31 March 2000 HK\$'000	(Unaudited) For the six months ended 31 March 2001 HK\$'000	(Unaudited) For the six months ended 31 March 2000 HK\$'000
Interest expenses	6,892	8,192	3,404	4,261
Depreciation	<u>30,382</u>	<u>32,044</u>	<u>15,895</u>	<u>16,466</u>

## 5. TAX

The Group provides for tax on the basis of its profit for financial reporting purpose, adjusted for income and expense items which are not assessable nor deductible for profits tax purpose.

Hong Kong profits tax for the Company and its subsidiaries in Hong Kong has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the current period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	(Unaudited) For the twelve months ended 31 March 2001 HK\$'000	(Audited) For the year ended 31 March 2000 HK\$'000	(Unaudited) For the six months ended 31 March 2001 HK\$'000	(Unaudited) For the six months ended 31 March 2000 HK\$'000
Hong Kong	(52)	4,066	(52)	3,956
Elsewhere	<u>2,856</u>	<u>2,756</u>	<u>1,422</u>	<u>1,347</u>
Tax charged for the period	<u>2,804</u>	<u>6,822</u>	<u>1,370</u>	<u>5,303</u>

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## 6. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the twelve months ended 31 March 2001 is based on the net profit attributable to shareholders for the current twelve months of HK\$13,895,000 (net loss attributable to shareholders for the year ended 31 March 2000 of HK\$114,381,000) and on the weighted average during the current twelve months of 4,663,779,025 (weighted average during the year ended 31 March 2000 of 1,267,737,836) ordinary shares in issue, adjusted to reflect the sub-division of shares in April 2000.

And also, the calculation of basic earnings/(loss) for the six months ended 31 March 2001 is based on the net profit attributable to shareholders for the current six months of HK\$7,545,000 (net loss attributable to shareholders for the six months ended 31 March 2000 of HK\$99,283,000) and on the weighted average during the current six months of 4,663,785,628 (weighted average during the six months ended 31 March 2000 of 1,572,428,184) ordinary shares in issue, adjusted to reflect the sub-division of shares in April 2000.

The calculation of diluted earnings per share for the twelve months and six months ended 31 March 2001 is based on the net profit attributable to shareholders of HK\$13,895,000 and HK\$7,545,000 respectively and the weighted average of 5,163,748,279 shares and 5,078,985,628 shares, being the weighted average number of shares for the purposes of basic earnings per share, adjusted by the effects of all dilutive potential ordinary shares during the twelve months and six months ended 31 March 2001 respectively.

Reconciliation of the weighted average numbers of shares for the purposes of the basic and diluted earnings per share for the twelve months and six months ended 31 March 2001 is as follows:

	For the twelve months ended 31 March 2001	For the six months ended 31 March 2001
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	4,663,779,025	4,663,785,628
Weighted average number of ordinary shares:		
– Assumed issued at no consideration on deemed exercise of all the warrants outstanding during the current period	84,769,254	–
– Assumed issued at no consideration on deemed exercise of the convertible note in full during the current period	415,200,000	415,200,000
	<u>5,163,748,279</u>	<u>5,078,985,628</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>5,163,748,279</u>	<u>5,078,985,628</u>

Diluted loss per share for the year and six months period ended 31 March 2000 have not been calculated as the warrants and options outstanding during those periods had an anti-dilutive effect on the basic loss per share for those periods.

## 7. TRADE RECEIVABLES

Ageing	(Unaudited) At 31 March 2001			(Audited) At 31 March 2000		
	Balance HK\$'000	Percentage	Provision HK\$'000	Balance HK\$'000	Percentage	Provision HK\$'000
Current to 90 days	38,195	86	31	43,444	91	–
91 – 180 days	2,189	5	467	1,686	4	–
Over 180 days	4,147	9	2,961	2,616	5	2,271
Total	<u>44,531</u>	<u>100</u>	<u>3,459</u>	<u>47,746</u>	<u>100</u>	<u>2,271</u>

The Group allows an average credit period of 60 days to its trade customers and keeps monitoring its outstanding trade receivables. Overdue balances are regularly reviewed by the senior management of the Group.

The above ageing analysis of trade receivables was based on the respective due dates of the sales of goods.

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## 8. TRADE PAYABLES

	(Unaudited) At 31 March 2001 HK\$'000	(Audited) At 31 March 2000 HK\$'000
<b>Ageing</b>		
Current to 90 days	54,622	57,713
91 – 180 days	1,232	4,562
Over 180 days	352	954
Total	<u>56,206</u>	<u>63,229</u>

The above ageing analysis of trade payables was based on the respective due dates of the receipts of goods and services.

## 9. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	(Unaudited) At 31 March 2001 HK\$'000	(Audited) At 31 March 2000 HK\$'000
Bank overdrafts repayable:		
– Within one year or on demand	<u>29</u>	<u>40</u>
Bank loans repayable:		
– Within one year	21,818	22,746
– In the second year	1,406	12,441
– In the third to fifth years, inclusive	<u>120</u>	<u>1,525</u>
	<u>23,344</u>	<u>36,712</u>
Finance lease payable:		
– Within one year	1,151	2,683
– In the second year	<u>–</u>	<u>1,181</u>
Total minimum finance lease payables	1,151	3,864
Future finance charges	<u>(37)</u>	<u>(243)</u>
	<u>1,114</u>	<u>3,621</u>
	<u>24,487</u>	<u>40,373</u>
Portion classified as current liabilities	<u>(22,961)</u>	<u>(25,293)</u>
Long-term portion	<u>1,526</u>	<u>15,080</u>

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## 10. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Investments revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Total HK\$'000
At 31 March 2000 (Audited)	758,948	675	–	67	759,690
Issue of shares	15	–	–	–	15
Changes in fair value of long-term investments	–	–	(144,587)	–	(144,587)
Exchange realignments	–	–	–	(3)	(3)
At 31 March 2001 (Unaudited)	<u>758,963</u>	<u>675</u>	<u>(144,587)</u>	<u>64</u>	<u>615,115</u>

## 11. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	(Unaudited) At 31 March 2001 HK\$'000	(Audited) At 31 March 2000 HK\$'000
Potential long service payments (Note)	6,755	6,676
Bills discounted with recourse	<u>3,620</u>	<u>5,795</u>

Note:

The amount represented the Group's potential liability at the balance sheet date on the assumption that all the employees who have completed the required number of years of service under the Employment Ordinance of Hong Kong (the "Employment Ordinance") terminated their employment. As at 31 March 2001, there were 62 (at 31 March 2000: 61) employees who were eligible for such payments on termination of their employment.

The Group is only liable to make such payments where the termination meets the required circumstances specified in the Employment Ordinance, and on that basis, no provision has been made for this amount in the financial statements.

## 12. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board on 21 June 2001.