

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September, 2000

### 1. Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

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 either for the condensed consolidated statement of recognised gains and losses or for the condensed consolidated cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period 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 31 March, 2000.

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

### 2. Segment Information

#### Geographical segments

	Revenue	
	Six months ended	
	30.9.2000	30.9.1999
	HK\$'000	HK\$'000
Asia	<b>136,727</b>	156,479
Europe	<b>229,047</b>	119,049
United States of America	<b>119,218</b>	119,153
Mexico	<b>4,065</b>	12,072
Others	<b>16,271</b>	14,728
	<b><u>505,328</u></b>	<u>421,481</u>

Segment result has not been presented as the result from each segment is substantially in line with the overall Group ratio of profit to turnover.

### 3. Finance Costs

<b>Six months ended</b>	
<b>30.9.2000</b>	30.9.1999
<b>HK\$'000</b>	HK\$'000

Interest on:

– Bank borrowings wholly repayable within five years	<b>5,002</b>	884
– Obligations under finance leases and hire purchase contracts	<b>616</b>	–
	<b><u>5,618</u></b>	<u>884</u>

### 4. Depreciation and Amortisation

During the period, depreciation and amortisation of HK\$25.9 million (1999: HK\$8.5 million) was charged in respect of the Group's property, plant and equipment whereas amortisation of HK\$6.3 million (1999: HK\$1.0 million) was charged in respect of the Group's intangible assets.

### 5. Taxation

<b>Six months ended</b>	
<b>30.9.2000</b>	30.9.1999
<b>HK\$'000</b>	HK\$'000

Hong Kong Profits Tax	<b><u>3,500</u></b>	<u>3,246</u>
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Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

### 6. Interim Dividend

The Directors do not recommend the payment of any interim dividend in respect of the Period.

## 7. (Loss) Earnings Per Share

The calculation of the basic (loss) earnings per share is based on the loss for the period of approximately HK\$15,345,000 (1999: Profit of HK\$38,191,000) and on the 320,000,000 (1999: 320,000,000) shares in issue during the Period.

No dilutive potential shares were outstanding during either the current or prior period. Accordingly, no amount is presented for diluted (loss) earnings per share.

## 8. Additions to Property, Plant and Equipment

During the period, the Group spent HK\$42.2 million (1999: HK\$33.9 million) on additions to property, plant and equipment.

## 9. Additions to Intangible Assets

During the period, the Group incurred research and development costs amounted to HK\$11.1 million (1999: HK\$3.7 million) out of which HK\$8.3 million (1999: HK\$2.1 million) was capitalized.

## 10. Debtors' Ageing Analysis

The Group allows an average credit period of 30 days to its trade customers.

The following is an aged analysis of trade debtors at the reporting date:

	<b>30.9.2000</b>	31.3.2000
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>30,901</b>	11,519
31-60 days	<b>9,820</b>	996
61-90 days	<b>3,024</b>	210
> 90 days	<b>5,694</b>	4,564
	<b><u>49,439</u></b>	<u>17,289</u>

## 11. Ageing Analysis of Bills Receivable

The following is an aged analysis of bills receivable at the reporting date:

	<b>30.9.2000</b>	31.3.2000
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>31,688</b>	12,026
31-60 days	<b>31,275</b>	–
61-90 days	<b>50</b>	1,705
	<b><u>63,013</u></b>	<u>13,731</u>

## 12. Creditors' Ageing Analysis

The following is an aged analysis of trade creditors at the reporting date:

	<b>30.9.2000</b>	31.3.2000
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>62,050</b>	45,401
31-60 days	<b>46,106</b>	43,376
61-90 days	<b>24,946</b>	19,644
> 90 days	<b>35,358</b>	18,402
	<b><u>168,460</u></b>	<u>126,823</u>

## 13. Ageing Analysis of Bills Payable

The following is an aged analysis of bills payable at the reporting date:

	<b>30.9.2000</b>	31.3.2000
	<b>HK\$'000</b>	HK\$'000
0-30 days	<b>18,905</b>	17,791
31-60 days	<b>27,323</b>	9,581
61-90 days	<b>37,293</b>	9,241
> 90 days	<b>24,405</b>	12,198
	<b><u>107,926</u></b>	<u>48,811</u>

## 14. Share Capital

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

## 15. Major Non-Cash Transactions

During the period, the Group entered into a hire purchase contract to refinance the outstanding balance amounting to HK\$10 million of the acquisition of plant and machinery in prior year.

## 16. Contingent Liabilities

	<b>30.9.2000</b>	31.3.2000
	<b>HK\$'000</b>	HK\$'000
Bills of exchange discounted with recourse	<b><u>22,304</u></b>	<u>12,776</u>

In addition, the Group has an outstanding litigation in Hong Kong of which Kessel Electronics (H.K.) Ltd. ("Kessel Electronics"), a wholly owned subsidiary of the Company, was served with a Writ of Summons taken out by Palm Computing Inc. in August, 1999 (HC Action No. 13420/99). Particulars and progress had been disclosed in 2000 Annual Report of the Company. Kessel Electronics was advised by its legal advisers to contest all allegations and the legal advisers are of the opinion that to assess the quantum of damages and liability of Kessel Electronics, if any, at this stage is not feasible. Accordingly, no provisions for liabilities and damages, if any, which might arise in connection with this matter have been made in the results for the Period.

## 17. Capital Commitments

	<b>30.9.2000</b>	31.3.2000
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– Acquisition of property, plant and equipment	<b>4,072</b>	13,330
– Product development costs	<b>-</b>	5,272
	<b><u>4,072</u></b>	<u>18,602</u>