



**DAIWA ASSOCIATE
HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

Interim Report 2001

INTERIM RESULTS

On behalf of Daiwa Associate Holdings Limited, I am pleased to present to shareholders the Group's unaudited interim results and condensed accounts for the six months ended 30 September 2001. The consolidated results, consolidated cash flow statement and consolidated statement of recognised gains and losses of the Group for the six months ended 30 September 2001, and the consolidated balance sheet as at 30 September 2001 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 3 to 12.

The unaudited interim results have been reviewed by the audit committee.

RESULTS AND INTERIM DIVIDEND

For the reported period, the Group has recorded a consolidated net profit after taxation and minority interests of HK\$10.13 million. Basic earnings per share is HK 6.37 cents.

The Board of Directors has recommended an interim dividend of HK 2 cents per share payable to shareholders whose names appear on the Register of the Members of the Company on 27 December, 2001.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 28 December, 2001 to Friday, 4 January, 2002, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all properly completed transfer forms accompanied by relevant share certificates must be lodged with Abacus Share Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Thursday, 27 December, 2001.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. At 30 September, 2001, the Group has total shareholders' equity amounting to approximately HK\$269 million (31 March 2001: HK\$267 million).

As at 30 September 2001, cash and bank balances were HK\$86 million (31 March 2001: HK\$95 million) while total bank loans were HK\$65 million (31 March 2001: HK\$78 million). The cash and bank balances, net of bank loans increased to HK\$21 million when compared to the HK\$17 million of 31 March 2001. As at 30 September 2001, the gearing ratio which is defined as total borrowings, excluding minority interests and deferred taxation to shareholders' funds was 0.24 (31 March 2001: 0.31).

The Group's loans are made in Hong Kong dollars, US dollars or Renminbi which are the currencies in which the Group conducts its business. The Group's assets are financed by shareholders' funds, current liabilities, bank borrowings and minority interests. Bank borrowings, which are all payable within one year, are bearing interest at floating rates except for a loan of HK\$19 million which is bearing interest at a fixed rate. The Group has also pledged a property and certain motor vehicles with an aggregate net book value of approximately HK\$50 million to secure borrowings granted to the Group.

BUSINESS REVIEW

Facing the global economic slowdown, the negative effect to the Group is not substantial. I am pleased to report that, other than mobile communication electronic components sector, the business of the majority of our sectors is performing steadily.

The management team is of the view that sustainable future growth hinges on the Group's ability to launch new products, which requires substantial investments and management resources in taking the new products from concept development to market. During the period under review, the Group has continued to invest and deploy significant resources in product developments. Because of the time involved to the product developments, the investments created a temporary negative contribution to the profit of the Group but the management believes that it is a necessary investment to pave the way to future success.

The Group's turnover for the six months ended 30 September 2001 amounted to approximately HK\$417 million, representing a moderate decrease of 15% over the same period last year. The unaudited profit attributable to shareholders for the period was approximately HK\$10.13 million (30 September 2000: HK\$17.14 million).

Manufacturing

Turnover of the Manufacturing sector decreased moderately to HK\$170 million, representing a decrease of 9% over the same period last year. Operating profit of this sector decreased to HK\$9.7 million (30 September 2000: HK\$12.9 million).

Electronic Components Manufacturing continued to be the major core business and contributor to the Group's operating profit, despite the slowdown in global mobile telecommunication industry.

Owing to synergy realised in vertical integration of manufacturing of diodes, the profit yields have been improved by self-manufactured dices and lead-wire for rectifier diodes and, together with the manufacturing of dumat lead-wire for glass diodes gave the Group a good competitive edge in securing adequate orders. On the other hand, productivity of switching diodes was increased in the period, and sales results were satisfactory. New production facilities of glass-diodes have been invested and will double the capacity of switching diodes and zener diodes in the coming year. New packaging of DO-34 as well as Melf type of surface mounted diodes have been developed successfully.

The Group has also invested in setting up a new sales and marketing team to explore new sales opportunities in consumer electronic products. As one of the early results of this investment, sales in this sector had a slight growth even in slow market. New models of CD Boombox, MP3, VCD and CD portable players are being developed and a positive contribution is expected in the coming fiscal year.

Distribution

Inventory control is an essential key to success in the distribution sector especially in a slowing economy. The Group has for a long time maintained a good inventory level. In the reported period, the inventory level was further reduced to HK\$87 million which represents a decrease of 17% when compared to 31 March 2001. The inventory was only equivalent to 1.2 months of turnover of the Group.

In the reported period, the Group had to use an extremely prudent credit control policy. In order to protect the Group from credit and financial risk, the Group has eliminated low profit margin turnover and refused orders from customers with suspicious financial positions.

Turnover in the Distribution Sector of electronic components was decreased to HK\$249 million which represents a decrease of 18% when compared to the last interim results.

The Group has invested adequate funds in the development of a new product line and explored sales network with good local China delivery logistic HUB support. Progress is satisfactory. Due to the investment in product development and market, operating profit of this distribution sector was decreased to HK\$4.7 million (30 September 2000: HK\$9.2 million). The management believes that this investment in development will make a positive contribution to the coming year's results.

FUTURE PROSPECTS

The strong cash position of the Group provides good negotiating power with suppliers that will keep the Group in a good cost position to maintain reasonable profits even when price competition is keen. The Group will also use less bank borrowings and pay less interest in the coming period.

The investment in development in sales and marketing, consumer products, software development, wire and harnesses, and electronic components has already brought new vision to the future business of the Group and also equipped the Group to better weather the economic slowdown.

Our efforts in consumer electronics product development and global market promotion have already brought us new production orders. In addition, the development of other new designated models has approached the final stage and the Group plans to launch these new products to the market early next year.

In the Electronic Component Distribution sector, the development of logistic HUB delivery support in PRC has already gained recognition from some multinational manufacturers in China. Management is confident and expect that this sector will bring in favourable returns to the Group in the coming year.

EMPLOYEES SCHEMES

As at 30 September 2001, Group employed a total of approximately 3,200 employees of which 120 were Hong Kong based while most of the others were PRC employees. Sales personnel were remunerated on the basis of on-target-earning packages comprising salary and incentives. Non-sales personnel are offered a year-end discretionary bonus which is based on the divisional profit and individual appraisals. The Group also provides a Mandatory Provident Fund and medical benefits to all Hong Kong employees while some Hong Kong employees had an option to join the ORSO provident fund scheme of the Group. During the reported period, no employee had been granted share options.

Condensed Consolidated Profit and Loss Account

For the six months ended 30 September 2001

		Six months ended	
		30 September	
		(unaudited)	
		2001	2000
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
		<i>(restated)</i>	
Turnover	2	416,842	491,144
Cost of sales		(363,530)	(424,952)
Gross profit		53,312	66,192
Other revenues		3,464	2,385
Selling expenses		(9,716)	(11,462)
Administrative expenses		(32,693)	(34,935)
Operating profit	3	14,367	22,180
Finance costs		(2,719)	(2,647)
Share of losses of jointly controlled entities		(311)	(776)
Share of profits of associated company		–	1,634
Profit before taxation		11,337	20,391
Taxation	4	(1,613)	(3,714)
Profit after taxation		9,724	16,677
Minority interests		405	464
Profit attributable to shareholders		10,129	17,141
Interim dividend	5	3,182	7,956
Earnings per share			
– Basic	6	6.37 cents	10.90 cents
– Diluted	6	6.35 cents	10.86 cents

Condensed Consolidated Balance Sheet

As at 30 September 2001

		30 September 2001	31 March 2001
	<i>Note</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (restated)
Intangible assets	7	2,665	3,165
Fixed assets		119,087	119,889
Investments in jointly controlled entities		10,507	10,818
Other investments		1,050	420
		<hr/>	<hr/>
Current assets			
Inventories		87,529	105,825
Trade and other receivables	8	128,687	130,981
Cash and bank balances		86,311	94,632
		<hr/>	<hr/>
		302,527	331,438
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	9	96,212	116,174
Current portion of long-term liabilities		18,826	19,209
Taxation		2,924	1,438
Trust receipts loans, secured		46,538	59,213
		<hr/>	<hr/>
		164,500	196,034
		<hr/> <hr/>	<hr/> <hr/>
Net current assets		138,027	135,404
		<hr/>	<hr/>
Total assets less current liabilities		271,336	269,696
		<hr/> <hr/>	<hr/> <hr/>
Financed by:			
Share capital	10	15,912	15,912
Reserves	11	250,152	243,301
Proposed interim dividend		3,182	–
Proposed final dividend		–	7,956
		<hr/>	<hr/>
Total capital and reserves		269,246	267,169
Minority interests		1,500	1,905
Long-term liabilities		590	622
		<hr/>	<hr/>
		271,336	269,696
		<hr/> <hr/>	<hr/> <hr/>

**Condensed Consolidated Cash Flow Statement and
Condensed Consolidated Statement of Recognised Gains and Losses**

For the six months ended 30 September 2001

Condensed Consolidated Cash Flow Statement

	Six months ended 30 September (unaudited)	
	2001 HK\$'000	2000 HK\$'000
Net cash inflow from operating activities	14,548	9,331
Net cash outflow from returns on investments and servicing of finance	(9,053)	(8,896)
Total taxation paid	(127)	(207)
Net cash outflow from investing activities	<u>(449)</u>	<u>(9,912)</u>
Net cash inflow/(outflow) before financing	4,919	(9,684)
Net cash (outflow)/inflow from financing	(469)	361
Effect of foreign exchange rate changes	<u>(96)</u>	<u>477</u>
Increase/(decrease) in cash and cash equivalents	4,354	(8,846)
Cash and cash equivalents at the beginning of period	<u>35,419</u>	<u>25,206</u>
Cash and cash equivalents at the end of period	<u><u>39,773</u></u>	<u><u>16,360</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	86,311	69,344
Trust receipts loans	<u>(46,538)</u>	<u>(52,984)</u>
	<u><u>39,773</u></u>	<u><u>16,360</u></u>

Condensed Consolidated Statement of Recognised Gains and Losses

	Six months ended 30 September (unaudited)	
	2001 HK\$'000	2000 HK\$'000 (restated)
Exchange differences arising on translation of accounts of subsidiaries and jointly controlled entities not recognised in the profit and loss account	(96)	477
Profit for the period	<u>10,129</u>	<u>17,141</u>
Total recognised gains and losses	<u><u>10,033</u></u>	<u><u>17,618</u></u>
Cumulative effect of change in accounting policy of adopting SSAP 30 on retained profits at 1 April	<u>(1,835)</u>	<u>(2,505)</u>

1. Basis of preparation and accounting policies

These unaudited condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAP's) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The significant changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) *SSAP 9 (revised): Events after balance sheet date*

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 11, opening retained profits at 1 April 2000 have increased by HK\$7,816,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31 March 2000 although not declared until after balance sheet date. Opening retained profits at 1 April 2001 have increased by HK\$7,956,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 31 March 2001 although not declared until after the balance sheet date.

This adjustment has resulted in a decrease in current liabilities at 30 September 2001 by HK\$3,182,000 (31 March 2001: HK\$7,956,000) for provision for proposed dividends that is no longer required.

Changes to headings used in the previously reported 31 March 2001 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) *SSAP 26: Segment reporting*

In Note 2 to these condensed interim accounts the Group has disclosed segment turnover and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

(c) *SSAP 30: Business combinations*

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company jointly controlled entity at the date of acquisition. Goodwill on acquisitions occurring on or after 31 March 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 31 March 2001 was previously written off against reserves. Such goodwill has been retrospectively capitalised and amortised to conform with SSAP 30. Any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5 years.

This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 7, goodwill on acquisitions previously written off against reserves has been retrospectively capitalised and amortised. The balance of the goodwill account of HK\$3,165,000 at 31 March 2001 and HK\$2,665,000 at 30 September 2001 represent the net book value of goodwill (as restated) at these dates respectively. As detailed in Note 11, opening retained profits at 1 April 2000 and 1 April 2001 have decreased by HK\$2,505,000 and HK\$1,835,000 which are the accumulated amortisation of goodwill (as adjusted for release of goodwill upon disposals) as of these dates respectively. Opening goodwill reserve has been increased by HK\$12,527,000 and HK\$5,000,000 which are the cost of goodwill on acquisitions previously written off against reserves, now being reinstated.

Changes to headings used in the previously reported 31 March 2001 balance sheet and profit and loss account relating to goodwill and the profit for the year retained have also been made to reflect the changes resulting from SSAP 30.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of.

2. Segment information

The Group is principally engaged in the design, development, manufacture and distribution of electronic components and the manufacture of consumer electronics. An analysis of the Group's turnover and results by business segment and geographical segment for the period are as follows:

	Six months ended 30 September			
	Turnover		Operating results	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By business segment				
Electronic components distribution and trading	248,980	304,121	4,703	9,214
Electronic components and consumer products manufacturing	170,439	188,292	9,664	12,966
Elimination	(2,577)	(1,269)	-	-
	<u>416,842</u>	<u>491,144</u>		
Operating profit			14,367	22,180
Finance costs			(2,719)	(2,647)
Share of profits less losses of Jointly controlled entities			(311)	(776)
Associated company			-	1,634
Profit before taxation			11,337	20,391
Taxation			(1,613)	(3,714)
Minority interests			405	464
Profit attributable to shareholders			<u>10,129</u>	<u>17,141</u>
By geographical segment				
Hong Kong and Mainland China	260,989	305,764		
America	94,249	87,117		
Europe	21,768	40,380		
Other Asian countries	39,836	57,883		
	<u>416,842</u>	<u>491,144</u>		

No analysis of the operating results by geographical location has been prepared as no contribution to results from any of the above geographical segment is substantially out of line with the normal ratio of profit to turnover.

Notes to condensed interim accounts

3. Operating profit

Operating profit is stated after charging and crediting the following:

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Charging:		
Depreciation of owned fixed assets	4,694	4,185
Depreciation of fixed assets held under finance lease	38	138
Loss on disposal of fixed assets	113	2,445
Amortisation of goodwill	500	1,253
Crediting:		
Interest income	<u>1,627</u>	<u>1,690</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. Mainland China enterprise income tax is calculated at the rates applicable to the respective subsidiaries.

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax	1,500	3,000
Mainland China enterprise income tax	113	223
Share of taxation attributable to an associated company	-	491
	<u>1,613</u>	<u>3,714</u>

5. Dividends

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
2000/2001 Final dividend, paid, of HK\$0.05 (1999/2000 final paid: HK\$0.05) per share (Note (i))	7,956	7,816
Adjustment to 1999/2000 final dividend 2001/2002 Interim, proposed on 7 December 2001, of HK\$0.02 (2000/2001: HK\$0.05) per ordinary share (Note (ii))	-	122
	<u>3,182</u>	7,956
	<u>11,138</u>	<u>15,894</u>

Note (i): The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31 March 2000 and 2001 were HK\$7,816,000 and HK\$7,956,000 respectively. Under the Group's new accounting policy as described in Note 1(a), these have been written back against opening reserves as at 1 April 2000 and 2001 in Note 11 and are now charged in the period in which they were proposed.

Note (ii): At a meeting held on 7 December 2001 the directors declared an interim dividend of HK\$0.02 per share. This proposed dividend is not reflected as a dividend payable in these condensed interim accounts, but will be reflected as an appropriation of retained profits for the year ending 31 March 2002.

6. Earnings per share

The calculation of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of HK\$10,129,000 (2000: HK\$17,141,000 as restated).

The basic earnings per share is based on the weighted average number of 159,121,600 (2000: 157,271,600) ordinary shares in issue during the period. The diluted earnings per share is based on 159,633,028 (2000: 157,804,100) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 511,428 (2000: 532,500) ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

7. Intangible assets – Goodwill**As at six months ended 30 September 2001**

	<i>HK\$'000</i>
Opening net book amount, as previously reported	–
Restatement of goodwill as adoption of SSAP 30	3,165
Opening net book amount, as restated	<u>3,165</u>
Amortisation charge	(500)
Closing net book amount	<u><u>2,665</u></u>
At 30 September 2001	
Cost	5,000
Accumulated amortisation	(2,335)
Net book amount	<u><u>2,665</u></u>
At 31 March 2001	
Cost	5,000
Accumulated amortisation	(1,835)
Net book amount	<u><u>3,165</u></u>

8. Trade and other receivables

Included in trade and other receivables are trade receivables, and their ageing analysis is as follows:

	30 September 2001	31 March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 60 days	70,956	78,889
60 to 119 days	24,353	13,848
120 days or more	2,375	3,457
	<u>97,684</u>	<u>96,194</u>

The majority of the Group's sales is on open account terms, of which the settlement is generally expected to be within 60 days of the date of sales.

9. Trade and other payables

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	30 September 2001	31 March 2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than 60 days	64,508	86,524
60 to 119 days	14,103	9,948
120 days or more	3,840	2,363
	<u>82,451</u>	<u>98,835</u>

10. Share capital

	Number of Ordinary Shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each At 1 April 2001 and 30 September 2001	<u>1,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each At 1 April 2001 and 30 September 2001	<u>159,121,600</u>	<u>15,912</u>

11. Reserves

	Share premium HK\$'000	Difference on merger HK\$'000	Goodwill HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Surplus reserves HK\$'000	Total HK\$'000
At 1 April 2000 as previously reported	160,004	(10,393)	(12,527)	(1,659)	51,594	34,421	90	221,530
Effect of adopting SSAP 9 (Revised)	-	-	-	-	-	7,816	-	7,816
Effect of adopting SSAP 30	-	-	12,527	-	-	(2,505)	-	10,022
At 1 April 2000 as restated	160,004	(10,393)	-	(1,659)	51,594	39,732	90	239,368
Premium on issue of shares	1,068	-	-	-	-	-	-	1,068
Exchange difference on translation of accounts of overseas subsidiaries and jointly controlled entities	-	-	-	503	-	-	-	503
Profit for the year (restated)	-	-	-	-	-	26,212	-	26,212
Final dividend paid for 2000 (including adjustment)	-	-	-	-	-	(7,938)	-	(7,938)
Interim dividend paid for 2001	-	-	-	-	-	(7,956)	-	(7,956)
As at 31 March 2001	161,072	(10,393)	-	(1,156)	51,594	50,050	90	251,257
Reserves								243,301
Final dividend proposed for 2001								7,956
As at 31 March 2001								251,257
Company and subsidiaries	161,072	(10,393)	-	83	51,594	52,929	90	255,375
Jointly controlled entities	-	-	-	(1,239)	-	(2,879)	-	(4,118)
As at 31 March 2001	161,072	(10,393)	-	(1,156)	51,594	50,050	90	251,257
At 1 April 2001 as previously reported	161,072	(10,393)	(5,000)	(1,156)	51,594	43,929	90	240,136
Effect of adopting SSAP 9 (Revised)	-	-	-	-	-	7,956	-	7,956
Effect of adopting SSAP 30	-	-	5,000	-	-	(1,835)	-	3,165
At 1 April 2001 as restated	161,072	(10,393)	-	(1,156)	51,594	50,050	90	251,257
Exchange difference on translation of accounts of overseas subsidiaries and jointly controlled entities	-	-	-	(96)	-	-	-	(96)
Profit for the period	-	-	-	-	-	10,129	-	10,129
Final dividend paid for 2001	-	-	-	-	-	(7,956)	-	(7,956)
As at 30 September 2001	161,072	(10,393)	-	(1,252)	51,594	52,223	90	253,334
Reserves								250,152
Interim dividend proposed for 2002								3,182
As at 30 September 2001								253,334
Company and subsidiaries	161,072	(10,393)	-	(13)	51,594	55,413	90	257,763
Jointly controlled entities	-	-	-	(1,239)	-	(3,190)	-	(4,429)
As at 30 September 2001	161,072	(10,393)	-	(1,252)	51,594	52,223	90	253,334

12. Contingent liabilities

As at 30 September 2001, the Group had contingent liabilities in respect of banking guarantees amounting to approximately HK\$16,110,000 (2000: HK\$16,000,000) which is the same amount disclosed in preceding annual report.

13. Commitments

(a) Capital commitments

The Group did not have any significant capital commitments at 30 September and 31 March 2001.

(b) Operating lease commitments

As at 30 September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

	30 September 2001 HK\$'000	31 March 2001 HK\$'000 (restated)
Within one year	832	527
In the second to fifth year inclusive	584	432
	1,416	959

14. Related party transactions

The Group had the following significant transactions, entered into in the normal course of business, with its related companies during the period:

	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Jointly controlled entities:		
Sale of goods	4,955	5,067
Purchase of goods	5,440	5,802

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

Share Capital

As at 30 September 2001, the interests of Directors in the equity or debt securities of the Company or any associated corporations as recorded in the register maintained by the Company under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company and other interests of Directors in the Company were as follows:

(a) Interests in shares of the Company

Name of directors	Number of ordinary shares beneficially held			Total interests
	Personal interests	Corporate interests	Other interests	
Mr. LAU Tak Wan	3,112,000 (Note 1)	-	20,347,300 (Note 2)	23,459,300
Ms. CHAN Yuen Mei, Pinky	2,012,000 (Note 1)	-	20,347,300 (Note 2)	22,359,300
Mr. WAN Chor Fai	300,000	-	-	300,000
Mr. MAK Hon Kai, Stanly	5,054,000	-	-	5,054,000
Mr. NG Wan Loong	200,000 (Note 3)	-	-	200,000
Mr. Barry John BUTTIFANT	1,200,000	-	-	1,200,000

Notes:

1. 1,512,000 shares in the Company were jointly held by Mr. Lau and Ms. Chan (the spouse of Mr. Lau).
2. 20,347,300 shares in the Company were beneficially owned by China Capital Holdings Investment Ltd ("China Capital"). The entire issued share capital of China Capital is owned by a trustee for the benefit of a discretionary trust the beneficiaries of which include Mr. Lau, Ms. Chan and certain of his family members.
3. With effect from 1 October 2001, Mr. NG Wan Loong tendered his resignation as the Executive Director of the Company.

(b) Interests in shares in the subsidiaries

Dominion International Limited which is wholly owned by a trustee for the benefit of a discretionary trust the beneficiaries of which include Mr. LAU Tak Wan, Ms. CHAN Yuen Mei, Pinky (the spouse of Mr. Lau) and certain of his family members, has beneficial interests in the following subsidiaries:

	Number of non-voting deferred shares held
Cosmos Wires and Connectors Manufacturing Limited	50,000
Westpac Digital Limited	1
Vastpoint Industrial Limited	455,000
Daiwa Associate (H.K.) Limited	1,500,000

In addition, each of Mr. Lau and Ms. Chan beneficially owns 140,000 and 10,000 non-voting deferred shares respectively in Cosmotec Precision Industrial Limited.

Save as disclosed above, none of the Directors or their associates had any beneficial or non-beneficial interests in the share capital of the Company or its associated corporations at the six months end date required to be disclosed pursuant to the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Share Options

The following share options which were granted to the directors of the Company under the share options scheme were outstanding at 30 September 2001 are as follow :

Name of directors	Outstanding at the beginning of period	Number of shares under share option scheme	
		Exercised during the period	Outstanding at the end of period
Mr. LAU Tak Wan	—	—	—
Ms. CHAN Yuen Mei, Pinky	—	—	—
Mr. WAN Chor Fai	200,000	—	200,000
Mr. MAK Hon Kai, Stanly	—	—	—
Mr. NG Wan Loong (<i>Note 2</i>)	500,000	—	500,000
	<u>700,000</u>	<u>—</u>	<u>700,000</u>

Notes:

1. Share options were granted in January 2000 and are exercisable during the period from 21 July 2000 to 20 July 2002 at an exercise price of HK\$0.48 per share.
2. Subsequent to the period end, share options granted in January 2000 to Mr. NG Wan Loong to subscribe for 500,000 shares lapsed upon his resignation from the Company.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of Directors, the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance as at 30 September 2001 showed that no other party held 10 per cent or more of the issued share capital of the Company.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the six months ended 30 September 2001 except for not specifying the terms of appointment of independent non-executive directors.

According to the bye-laws of the Company, independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an audit committee was established in September 1999. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim condensed accounts for the six months ended 30 September 2001 with the directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2001, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities.

By Order of the Board
LAU Tak Wan
President

Hong Kong, 7 December 2001