1. ACCOUNTING POLICIES

The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 — Interim Financial Reporting.

Except for the new accounting policies on investment properties and derivative financial instruments, as set out below, the accounting policies used in the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2001.

Investment properties

Investment properties are interests in land and buildings which are held for investment potential.

Investment properties held under long leases are stated at valuation performed by professional valuers annually. The valuations are on an open market value basis related to individual properties and are incorporated in the annual financial statements. As required by IAS 40, "Investment Properties", which took effect on 1st January 2001, the Group changed its accounting policy for recognizing the changes in fair value of investment properties. These changes were previously taken directly to property revaluation reserves but are now recognized in the consolidated income statement.

To reflect this change, the amount held in revaluation surplus for investment properties has been reclassified to the opening balance of revenue reserves and there is no impact on net profit for the six months ended 30th September 2000.

Derivative financial instruments

The Group uses forward foreign exchange contracts in its management of currency risks. In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", derivatives are recognized on the balance sheet at fair value. Unrealized gains and losses arising from the changes in the fair value of forward contracts are taken to reserves until realized. This is a change in accounting policy as in previous years the unrealized gains and losses on forward contracts to hedge specific future currency transactions were deferred against the matching losses and gains on the specific transactions.

2. SEGMENT INFORMATION

The Group's operations comprise two main business segments, telecommunication and electronic products and e-Business related services. Telecommunication and electronic products include the design, manufacture and distribution of telephones, electronic learning, information appliances, and other electronic products. e-Business related services include the design, manufacture and distribution of web services, learning web, a global positioning system and other e-Business related activities.

Turnover represents the amounts received and receivable for sale of goods to third parties.

Primary reporting format — business segments

	Six months ended 30th September			
	Turnover		Operating Profit	
	2001 US$'M	2000 US$'M	**2001 US$'M**	2000 US$'M
Telecommunication and electronic products	**528.3**	708.4	**16.0**	17.9
e-Business related services	**1.3**	0.2	**(4.4)**	(7.8)
Unallocated corporate services	**—**	—	**(0.3)**	(0.8)
	529.6	708.6	**11.3**	9.3

Secondary reporting format — geographical segments

	Six months ended 30th September			
	Turnover		Operating Profit	
	2001 US$'M	2000 US$'M	**2001 US$'M**	2000 US$'M
U.S.A. and Mexico	**417.1**	575.7	**10.7**	4.0
Europe	**77.5**	78.5	**7.0**	0.7
Asia Pacific	**20.3**	19.0	**(6.8)**	1.2
Others	**14.7**	35.4	**0.4**	3.4
	529.6	708.6	**11.3**	9.3

3. OPERATING PROFIT/(LOSS)

The following items have been charged/(credited) in arriving at operating profit/(loss):

		Six months ended 30th September	
	Note	**2001 US$'M**	2000 US$'M
Recognition of negative goodwill		**—**	(30.0)
Amortization of negative goodwill		**—**	(0.2)
Depreciation		**17.8**	21.8
Loss on disposal of tangible assets		**0.9**	0.7
Restructuring and impairment charges	4	**9.9**	—

4. RESTRUCTURING AND IMPAIRMENT CHARGES

The Group launched a comprehensive restructuring plan in March 2001. Details of the plan have been provided in the annual financial statements for the year ended 31st March 2001. The restructuring charges during the period predominantly comprise the full provision for the closure costs associated with the disposal of the Mexican factories, scale down of e-Business related services and additional provision for the reorganization costs of the information appliances business unit.

	Six months ended 30th September	
	2001 US$'M	2000 US$'M
Closure and termination costs	**8.9**	—
Write-down of discontinued stocks	**1.0**	—
	9.9	—

5. NET FINANCE COSTS

	Six months ended 30th September	
	2001 US$'M	2000 US$'M
Interest expense	**7.4**	7.6
Interest income	**(0.9)**	(1.8)
	6.5	5.8

6. TAXATION

	Six months ended 30th September	
	2001 US$'M	2000 US$'M
Current tax	**0.9**	1.4
Underprovision in prior years	**0.4**	—
Deferred tax	**—**	1.1
	1.3	2.5

Tax on profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates and includes:

	2001 US$'M	2000 US$'M
Company and subsidiaries		
Hong Kong	**1.1**	1.3
United Kingdom	**0.1**	0.1
U.S.A.	**—**	1.1
Other countries	**0.1**	—
	1.3	2.5

7. DIVIDEND

The Board has not recommended an interim dividend for the period under review (2000: Nil).

8. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders of US$3.3 million (2000: US$0.8 million).

The basic earnings per share is based on the weighted average of 225.2 million (2000: 219.7 million) ordinary shares in issue during the period. The diluted earnings per share is based on 229.5 million (2000: 220.8 million as adjusted) ordinary shares which is the weighted average number of ordinary shares in issue during the period after adjusting for the weighted average of 4.3 million (2000: 1.1 million) ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised.

9. TANGIBLE ASSETS

	US$'M
Balance as at 1st April 2001	102.8
Additions	6.9
Disposals	(7.7)
Depreciation	(17.8)
Transfer from assets held for sale	3.7
Translation differences	0.4
Balance as at 30th September 2001	88.3

10. ASSETS HELD FOR SALE

	30th September 2001 US$'M	31st March 2001 US$'M
Land and buildings	**11.8**	20.1
Machinery and equipment	**4.3**	10.3
	16.1	30.4

Pursuant to the restructuring plan mentioned in note 4 above, certain land, buildings, machinery and equipment are no longer required for the purposes for which they were originally intended. These assets have been written down to their estimated recoverable amounts.

The contract for the sale of the land and buildings of US$11.8 million has been signed and the first partial payment received upon the signing of the contract of US$4.8 million is included in creditors and provisions. The transaction is anticipated to be completed in July 2002.

11. DEBTORS AND PREPAYMENTS

Total debtors and prepayments of US$284.0 million (31st March 2001: US$255.6 million) includes trade debtors of US$236.0 million (31st March 2001: US$195.3 million). An ageing analysis of trade debtors by transaction date is as follows:

	0–30 days US$'M	**31–60 days** US$'M	**61–90 days** US$'M	**>90 days** US$'M	**Total** US$'M
Balance at 30th September 2001	**126.1**	**64.6**	**27.9**	**17.4**	**236.0**
Balance at 31st March 2001	81.3	75.4	25.2	13.4	195.3

The majority of the Group's sales are on letter of credit and on open credit with varying credit terms of 30 to 90 days. Certain open credit sales are covered by credit insurance or bank guarantees.

12. CREDITORS AND PROVISIONS

Total creditors and provisions of US$346.5 million (31st March 2001: US$308.0 million) includes trade creditors of US$155.9 million (31st March 2001: US$106.2 million) and provision for restructuring costs of US$10.6 million (31st March 2001: US$30.3 million).

An ageing analysis of trade creditors by transaction date is as follows:

	0–30 days US$'M	**31–60 days** US$'M	**61–90 days** US$'M	**>90 days** US$'M	**Total** US$'M
Balance at 30th September 2001	**82.8**	**45.3**	**15.3**	**12.5**	**155.9**
Balance at 31st March 2001	30.1	38.8	9.6	27.7	106.2

The movements in the provision for restructuring costs are as follows:

	US$'M
Balance as at 1st April 2001	30.3
Additional provision charged to income statement	4.3
Utilized during the period	(24.0)
Balance as at 30th September 2001	10.6

13. BORROWINGS

	30th September 2001 US$'M	31st March 2001 US$'M
Bank loans, overdrafts and finance lease obligations		
Repayable by instalments, any one of which is due for repayment after five years:		
Secured bank loans	**1.1**	4.6
Repayable by instalments, all of which are due for repayment within five years:		
Unsecured bank loans and overdrafts	**156.0**	241.4
Secured bank loans	**2.0**	3.1
Obligations under finance leases	**0.5**	0.5
	158.5	245.0
Less: amounts due within one year included under current liabilities:		
Unsecured bank loans and overdrafts	**(49.2)**	(111.3)
Secured bank loans	**(0.8)**	(1.3)
Obligations under finance leases	**(0.1)**	(0.1)
	(50.1)	(112.7)
	109.5	136.9
Bank loans, overdrafts and finance lease obligations are repayable as follows:		
Between one and two years	**79.9**	50.5
Between two and five years	**28.5**	81.9
In more than five years	**1.1**	4.5
	109.5	136.9

The secured bank loans are secured against land and buildings. Bank loans and overdrafts are mainly denominated in United States dollars, Hong Kong dollars and Netherlands Guilders. Interest rates vary from 3.2% to 7.0% (31st March 2001: 5.09% to 8.68%).

14. SHARE CAPITAL

	30th September 2001 US$'M	31st March 2001 US$'M
Authorized		
Ordinary shares:		
400,000,000 (31st March 2001: 400,000,000) of US$0.05 each	**20.0**	20.0

	30th September 2001 No. of shares	30th September 2001 US$'M	31st March 2001 US$'M
Issued and fully paid			
Ordinary shares of US$0.05 each:			
Beginning of period	**225,151,233**	**11.3**	10.7
Issued on the acquisition of a subsidiary	**—**	**—**	0.3
Issued in lieu of scrip dividend	**—**	**—**	0.3
End of period	**225,151,233**	**11.3**	11.3

14. SHARE CAPITAL (continued)

Share option schemes

Pursuant to the share option scheme adopted on 24th September 1991 (the "1991 Scheme"), the Board of Directors is authorized to grant options to certain directors or employees of the Company or any of its subsidiaries to subscribe for shares in the Company at prices to be determined by the Board in accordance with the terms of the 1991 Scheme.

The movements in the number of share options under the 1991 Scheme during the period were as follows:

Date of grant	Exercise Price US$	Exercisable Period	Balance in issue at 1st April 2001	Number of share options cancelled during the period	Balance in issue at 30th September 2001
8th October 1991	0.733	8th October 1991 to 7th October 2001	316,300	—	**316,300**
1st May 1998	2.9	1st May 1998 to 30th April 2008	4,025,000	(365,000)	**3,660,000**
1st June 1999	2.72	1st June 1999 to 30th May 2009	200,000	—	**200,000**
17th December 1999	2.3	17th December 1999 to 16th December 2009	140,000	—	**140,000**
16th November 2000	1.76	16th November 2000 to 15th November 2010	40,000	—	**40,000**
			4,721,300	(365,000)	**4,356,300**

On 9th August 2001, the Company adopted a share option scheme (the "2001 Scheme") under which the directors may, at their discretion, at any time during the 10 years from the date of adoption of the 2001 Scheme, invite employees of any member company of the Group, including executive directors (but excluding non-executive directors) to take up share options of the Company. The Company may issue options so that the number of shares that may be issued upon the exercise of all options to be granted under all the share option schemes does not in aggregate exceed 10 percent of the shares in issue from time to time. No options have been granted since the date of the adoption of the 2001 Scheme.

Warrants

Pursuant to a warrant instrument dated 19th January 2000 issued by the Company to AT&T Corp. ("AT&T") as part of a trademark licence agreement between the Company and AT&T pursuant to which AT&T granted the Company the exclusive right to use the AT&T brand for 10 years in connection with the manufacture and sale of wireless telephones and accessories in the United States and Canada, the Company granted AT&T warrants carrying rights to subscribe for 3,000,000 shares in the Company at a subscription price of HK$20.0 per share on or before 18th January 2012. No warrants have been exercised since the date of grant.

15. RESERVES

	30th September 2001 US$'M	30th September 2000 US$'M
Revenue reserves	**(5.4)**	204.1
Exchange reserve	**(5.9)**	(5.1)
Investment properties revaluation reserve	**—**	1.0
Other properties revaluation reserve	**9.4**	11.1
Share premium	**74.2**	74.3
Cash flow hedge	**(0.4)**	—
	71.9	285.4

An analysis of movements on reserves is set out below:

	2001 US$'M	2000 US$'M
Revenue reserves		
At 31st March		
— as previously reported	**(11.0)**	230.1
— effect of adopting IAS 40	**1.0**	—
— as restated	**(10.0)**	230.1
Profit attributable to shareholders	**3.3**	0.8
Final dividends paid	**—**	(26.8)
Disposal of a property previously revalued	**1.3**	—
Carried forward	**(5.4)**	204.1
Exchange reserve		
At 31st March	**(6.4)**	(2.5)
Exchange translation differences	**0.5**	(2.6)
Carried forward	**(5.9)**	(5.1)
Investment properties revaluation reserve		
At 31st March		
— as previously reported	**1.0**	1.0
— effect of adopting IAS 40	**(1.0)**	—
Carried forward	**—**	1.0
Other properties revaluation reserve		
At 31st March	**10.7**	11.5
Exchange translation differences	**—**	(0.4)
Disposal of a property previously revalued	**(1.3)**	—
Carried forward	**9.4**	11.1
Share premium		
At 31st March	**74.2**	46.0
Issued on the acquisition of a subsidiary	**—**	12.4
Shares issued in lieu of scrip dividend	**—**	15.9
Carried forward	**74.2**	74.3
Cash flow hedge		
Fair value losses arising during the period and carried forward	**(0.4)**	—

16. CAPITAL COMMITMENTS

	30th September 2001 US$'M	31st March 2001 US$'M
Authorized not contracted for	**4.3**	14.1
Contracted not provided for	**1.7**	3.2
	6.0	17.3