

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "interim financial reporting" and the Listing Rules of The Stock Exchange of Hong Kong Limited. In prior years, dividends proposed or declared after the balance sheet date in respect of an accounting period were recognised as a liability at the balance sheet date. In order to comply with SSAP 9 (revised) "Events after the balance sheet date", the Group does not recognise a liability for dividends in the accounting period in which they are declared or proposed and approved by shareholders. The new accounting policy has been adopted retrospectively, with the retained profits as at 1 April 2001 adjusted for the amounts relating to final dividend declared for the year ended 31 March 2001.

Except for the above, the accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 31 March 2001. Figures for the year ended 31 March 2001 are extracted from the Group's annual financial statements for that year.

2. Segmental Information

The principal activities of the Group are the manufacture of consumer video and audio products. A geographical analysis of the Group's turnover by market is as follows:

	Turnover	
	For the six months ended 30 September	
	2001	2000
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Asia Pacific countries	304,273	514,462
Americas	502,050	472,748
Europe	446,743	403,226
	<hr/>	<hr/>
Total	<u>1,253,066</u>	<u>1,390,436</u>

An analysis of the turnover by principal activities are as follows:

	Turnover	
	For the six months	
	ended 30 September	
	2001	2000
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacture of audio products	876,028	1,368,948
Manufacture of video products	340,678	–
Others	36,360	21,488
	<u>1,253,066</u>	<u>1,390,436</u>

An analysis of the profit from operating activities by principal activities are as follows:

	Profit from operating	
	activities	
	For the six months	
	ended 30 September	
	2001	2000
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacture of audio products	21,749	38,326
Manufacture of video products	6,135	–
Others	2,264	1,536
	<u>30,148</u>	<u>39,862</u>

Contribution to profit from operating activities by geographical region is not presented as the contribution from each region is substantially in line with the overall ratio of profit from operating activities to turnover of the Group.

3. Profit before Taxation

	For the six months ended 30 September	
	2001	2000
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation is arrived at after charging/(crediting)		
Depreciation	28,876	25,456
Interest on borrowings	9,859	11,230
	<u> </u>	<u> </u>
Interest income	(889)	(4,047)
	<u> </u>	<u> </u>

4. Taxation

Hong Kong profits tax has been provided at the applicable rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable in the People's Republic of China ("PRC") have been provided at the rates of taxation prevailing in the PRC based on existing legislations, interpretations and practices in respect thereof.

5. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit attributable to shareholders of HK\$18,666,000 (2000: HK\$26,889,000) and the weighted average of 635,259,975 shares (2000: 589,598,398 shares) in issue during the Period.

There is no diluted earnings per share for the Period since the Company has no dilutive potential ordinary share.

6. Accounts and Other Receivables

Included in accounts and other receivables are accounts receivable of HK\$265,378,000 (31 March 2001: HK\$89,486,000), the aging analysis of which is as follows:

	30 September 2001	31 March 2001
	Unaudited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	168,990	67,978
31-60 days	82,299	7,266
Over 60 days	14,089	14,242
	<u> </u>	<u> </u>
	265,378	89,486
	<u> </u>	<u> </u>

The majority of the Group's sales are on terms of L/C at sight and the others on open account basis.

7. Accounts and Other Payables

Included in accounts and other payables are accounts payable of HK\$546,891,000 (31 March 2001: HK\$284,967,000), the aging analysis of which is as follows:

	30 September 2001 Unaudited HK\$'000	31 March 2001 Audited HK\$'000
0-30 days	155,987	129,993
31-60 days	191,704	78,723
61-90 days	140,727	32,243
Over 90 days	58,473	44,008
	<u>546,891</u>	<u>284,967</u>

8. Share Capital

	30 September 2001 Unaudited HK\$'000	31 March 2001 Audited HK\$'000
<i>Authorised:</i>		
1,200,000,000 ordinary shares of HK\$0.10 each	<u>120,000</u>	<u>120,000</u>
<i>Issued and fully paid:</i>		
635,259,975 (31 March 2001: 635,259,975) ordinary shares of HK\$0.10 each	<u>63,526</u>	<u>63,526</u>

9. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Asset revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1 April 2001	28,735	280	(9,318)	109,103	182,245	311,045
Exchange difference on translation of overseas subsidiaries' financial statements	-	-	2,677	-	-	2,677
Net profit for the period	-	-	-	-	18,666	18,666
Balance at 30 September 2001	<u>28,735</u>	<u>280</u>	<u>(6,641)</u>	<u>109,103</u>	<u>200,911</u>	<u>332,388</u>

10. Contingencies and Commitments

- (a) Contingent liabilities in respect of bills discounted with recourse at 30 September 2001 was HK\$41,535,000 (31 March 2001: HK\$13,999,000).
- (b) Capital commitments in respect of fixed assets

	30 September 2001	31 March 2001
	Unaudited	Audited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted for but not provided in the financial statements	15,500	31,936
Authorised but not contracted for	—	—
	<u>15,500</u>	<u>31,936</u>

- (c) Commitments to buy and sell foreign currencies amounted to HK\$46,800,000 and HK\$124,800,000 respectively (31 March 2001: HK\$140,052,000 and Nil respectively).

11. Related Party Transactions

During the Period, the Group had the following related party transactions:

- (a) The Group sold audio products and related components amounting to HK\$887,858 (six months ended 30 September 2000: HK\$806) to Pioneer Ventures Limited ("PVL"), a wholly-owned subsidiary of EganaGoldpfeil (Holdings) Limited which is a substantial shareholder of the Company.

The sales to PVL were made according to the published prices and conditions offered to the major customers of the Group.

- (b) The Group paid HK\$15,000 (six months period ended 30 September 2000: HK\$25,500) to International Taxation Advisory Services Limited, of which Wong Wai Kwong, David, a non-executive director of the Company, is a director, for corporate advisory services rendered. The directors consider that the above corporate advisory services charges were paid according to the published prices and conditions similar to those offered by other external consultants of the Group.

12. Comparative figures

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