

## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation of these interim report are consistent with those used in the annual financial statements for the year ended 31 March 2001 except that the Group has adopted SSAP No. 9 (revised), “Events after the balance sheet date”, and SSAP No. 30, “Business Combinations” issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001.

**(a) SSAP No. 9 (revised): Events after the balance sheet date**

In accordance with the SSAP No. 9 (revised), 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.

**(b) SSAP No. 30: Business Combinations**

In the current period, the Group has adopted SSAP No. 30 and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill (negative goodwill) arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged (credited) to the income statement at the time of disposal, or at such time as the goodwill is determined to be impaired. Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised using the straight-line method over its estimated useful life.

## 2. PRINCIPAL ACTIVITIES AND GEOGRAPHICAL SEGMENTS

An analysis of the Group's turnover and profit after finance costs by principal activity and geographical segment is as follows:

	Turnover		Profit after finance costs	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal activity:				
Toys	<b>336,123</b>	346,267	<b>46,831</b>	33,730
Motors	<b>113,774</b>	83,220	<b>26,276</b>	17,129
Electrical household appliances	<b>26,274</b>	26,750	<b>920</b>	1,070
Others	<b>11,664</b>	14,928	<b>3,164</b>	4,201
	<b>487,835</b>	471,165	<b>77,191</b>	56,130

	Turnover		Profit after finance costs	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By geographical segment:				
United States of America	<b>243,541</b>	276,642	<b>34,513</b>	27,920
Asia	<b>134,003</b>	99,695	<b>28,927</b>	18,743
Europe	<b>77,497</b>	57,367	<b>9,359</b>	5,655
Middle East	<b>8,796</b>	11,288	<b>1,198</b>	1,149
Canada	<b>10,731</b>	8,255	<b>1,455</b>	867
South America	<b>8,462</b>	6,997	<b>1,158</b>	735
Australia	<b>2,380</b>	6,114	<b>342</b>	627
Others	<b>2,425</b>	4,807	<b>239</b>	434
	<b>487,835</b>	471,165	<b>77,191</b>	56,130

**3. PROFIT FROM OPERATING ACTIVITIES**

The Group's profit from operating activities is arrived at after charging/(crediting):

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Depreciation	<b>12,291</b>	10,699
Amortisation of deferred development costs	<b>2,644</b>	2,271
Interest income	<b>(1,715)</b>	(3,208)
	<b><u>          </u></b>	<u>          </u>

**4. TAX**

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable overseas have been calculated at the applicable rates of tax prevailing in the countries in which the subsidiaries operated during the period.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current period provision:		
Hong Kong	<b>5,964</b>	3,000
Overseas	<b>227</b>	141
	<b><u>          </u></b>	<u>          </u>
	<b>6,191</b>	3,141
Share of tax attributable to an associate	<b>20</b>	–
	<b><u>          </u></b>	<u>          </u>
Tax charge for the period	<b><u>6,211</u></b>	<u>3,141</u>

No deferred tax has been provided as there were no significant timing differences (2000: Nil).

## 5. DIVIDENDS

The directors have decided to pay an interim dividend of HK3 cents per share to the shareholders whose name appear on the register of members of the Company on 11 January 2002. The dividend will be paid on 18 January 2002.

	<b>Six months ended 30 September</b>	
	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim – HK3 cents (2000: HK2.5 cents) per ordinary share	<b><u>11,371</u></b>	<u>9,476</u>

## 6. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit attributable to shareholders for the period of HK\$63,655,000 (2000: HK\$48,077,000) and the weighted average of 379,020,000 (2000: 376,845,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to shareholders for the period of HK\$63,655,000 (2000: HK\$48,077,000) and 389,639,833 (2000: 387,312,494) ordinary shares, being the weighted average number of shares outstanding during the period, adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

The reconciliation of weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2001</b>	2000
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>379,020,000</b>	376,845,000
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all options outstanding during the period	<b><u>10,619,833</u></b>	<u>10,467,494</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b><u>389,639,833</u></b>	<u>387,312,494</u>

**7. ACCOUNTS RECEIVABLE**

Trading terms with customers are largely on credit, except for new customers where cash on sale or payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, for whom the credit terms are extended to 90 days. The trade debtors and their aging analysis as at 30 September 2001 is as follows:

	<b>Unaudited</b>	
	<b>30 September</b>	31 March
	<b>2001</b>	2001
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0-30 days	<b>78,497</b>	31,416
31-60 days	<b>45,473</b>	10,884
61-90 days	<b>19,397</b>	2,803
Over 90 days	<b>7,626</b>	4,127
	<hr/>	<hr/>
Total	<b>150,993</b>	49,230
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The substantial increase in the accounts receivable is owing to the seasonal factor where September is the high season and March is the low season. The Group considered such balances are normal and healthy.

**8. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND OTHER PAYABLES**

Trade creditors and their aging analysis as at 30 September 2001 is as follows:

	<b>Unaudited</b>	
	<b>30 September</b>	31 March
	<b>2001</b>	2001
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
0-30 days	<b>60,038</b>	36,951
31-60 days	<b>45,280</b>	15,806
61-90 days	<b>18,968</b>	6,967
Over 90 days	<b>6,445</b>	6,052
	<hr/>	<hr/>
Accrued liabilities and other payables	<b>130,731</b>	65,776
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Total	<b>25,378</b>	19,206
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Total	<b>156,109</b>	84,982
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## 9. RESERVES

	Share premium <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital reserve on consolidation <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2001						
– As previously reported	88,310	58,285	6,150	1,599	200,538	354,882
– Effect of adopting SSAP 9 (revised)	–	–	–	–	26,531	26,531
– As restated	88,310	58,285	6,150	1,599	227,069	381,413
2001 final dividend paid	–	–	–	–	(26,531)	(26,531)
Net profit attributable to shareholders	–	–	–	–	63,655	63,655
<b>As at 30 September 2001</b>	<b>88,310</b>	<b>58,285</b>	<b>6,150</b>	<b>1,599</b>	<b>264,193</b>	<b>418,537</b>

## 10. CASH AND CASH EQUIVALENTS

**Unaudited**  
**Six months ended**  
**30 September**  
**2001**                      **2000**  
***HK\$'000***                      ***HK\$'000***

Analysis of balances of cash and cash equivalents:

Cash and bank balances	<b>30,589</b>	14,358
Time deposits	<b>70,142</b>	65,956
Total	<b>100,731</b>	80,314
Bank overdrafts and loans with original maturity of less than three months	–	(16,575)
	<b>100,731</b>	<b>63,739</b>

**11. INTEREST-BEARING BANK BORROWINGS**

The Group's banking facilities as at 30 September 2001 were secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

The interest-bearing bank borrowings were secured by personal guarantees given by a director of the Company and certain minority shareholders of a subsidiary.

**12. COMPARATIVE AMOUNTS**

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