

Notes to the Unaudited Interim Financial Statements

1. Significant Accounting Policies

The unaudited interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 (SSAP 25) Interim Financial Reporting. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended March 31, 2001 except the following new/revised accounting standards which have been adopted for the first time in the preparation of this interim financial statements:

(i) *SSAP 9 (revised): Events after the Balance Sheet Date*

In accordance with the revised SSAP 9, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of capital and reserves in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. The consolidated balance sheet as at March 31, 2001 has been restated and the dividend payable of HK\$21,266,000 under current liabilities has been reclassified to reserves.

(ii) *SSAP 30: Business Combinations*

Goodwill arising on consolidation of subsidiaries was previously eliminated against reserves in the year of acquisition. After the adoption of SSAP 30, goodwill arising on acquisitions prior to April 1, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as impairment losses are identified. Goodwill arising on acquisition after April 1, 2001 is capitalised and amortised over its estimated economic life of not more than twenty years.

Investment in associates in the consolidated balance sheet is stated at its share of net assets of the associates plus premium less discount arising on acquisition. The net premium was previously stated at cost less impairment losses, if any. After the adoption of SSAP 30, the net premium is amortised over its estimated economic life of not more than twenty years.

This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. The accumulated profits as at March 31, 2001 has been decreased by HK\$77,772,000, and the net profits of the Group for the six months ended September 30, 2000 has been decreased by HK\$5,093,000 for the amortisation of premium arising on the acquisition of associates.

2. Segment Information

An analysis of the turnover and profit from ordinary activities before taxation of the Group by principal activity is as follows:

For the six months ended September 30

	Turnover		Profit from ordinary activities before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Batteries	—	—	23,899	31,065
Electrical	—	—	20,023	24,747
Electronics	596,538	690,525	23,673	44,719
Technology & Strategic	165,486	49,245	22,546	878
	<u>762,024</u>	<u>739,770</u>	<u>90,141</u>	<u>101,409</u>
Corporate interest and overhead (net)			<u>(24,137)</u>	<u>(26,928)</u>
			<u>66,004</u>	<u>74,481</u>

Notes to the Unaudited Interim Financial Statements (Continued)

An analysis of the turnover and profit from ordinary activities before taxation of the Group by geographical market is as follows:

For the six months ended September 30

	Turnover		Profit from ordinary activities before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
The People's Republic of China				
Hong Kong	55,428	55,244	6,999	9,687
Mainland China	43,204	47,373	13,570	10,979
Other Asian countries	313,993	278,280	18,866	23,191
Europe	189,881	166,720	9,703	12,743
North and South America	144,140	160,844	10,354	13,470
Others	15,378	31,309	6,512	4,411
	<u>762,024</u>	<u>739,770</u>	<u>66,004</u>	<u>74,481</u>

3. Profit from Ordinary Activities Before Taxation

For the six months ended
September 30

2001 HK\$'000	2000 HK\$'000
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Profit from ordinary activities before taxation has been arrived at after charging:

Amortisation of deferred expenditure	4,128	1,480
Amortisation of trademarks	2,091	2,091
Amortisation of goodwill arising on acquisition of subsidiaries and associates	2,907	5,093
Depreciation and amortisation of property, plant and equipment	23,792	22,447

4. Taxation

For the six months ended
September 30

2001 HK\$'000	2000 HK\$'000
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The Company and its subsidiaries:

Hong Kong Profits Tax	2,898	2,598
Taxation in jurisdictions other than Hong Kong	4,615	1,283
Deferred taxation	1,430	—
	<u>8,943</u>	<u>3,881</u>

Share of taxation of associates:

Hong Kong Profits Tax	1,752	4,142
Taxation in jurisdictions other than Hong Kong	9,143	13,309
	<u>10,895</u>	<u>17,451</u>
	<u>19,838</u>	<u>21,332</u>

Hong Kong Profits Tax is calculated at 16.0% (2000: 16.0%) of the estimated assessable profit for the period.

Taxation in jurisdictions other than Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Unaudited Interim Financial Statements (Continued)

5. Earnings Per Share

The calculation of the basic and diluted earnings per share is computed based on the following data:

	For the six months ended September 30	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Earnings		
Net profit for the period and earnings for the purpose of basic earnings per share	32,214	42,207
Effect of dilutive potential shares:		
Adjustment to the share of result of subsidiaries and associates based on the dilution of their earnings per share	(141)	(335)
Convertible note (<i>Note</i>)	(1,220)	—
Earnings for the purpose of diluted earnings per share	<u>30,853</u>	<u>41,872</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	531,757	491,096
Effect of dilutive potential shares:		
Share options	2,122	2,198
Weighted average number of shares for the purpose of diluted earnings per share	<u>533,879</u>	<u>493,294</u>

Note: The impact included the interest savings and the dilution effect to the earnings which is computed as if the convertible note in whole had been exchanged into ordinary shares of GP Industries of S\$0.20 each at an exchange price of S\$0.845 and with a rate of exchange of S\$1.00 to HK\$4.453 at the start of the financial period under review.

6. Property, Plant and Equipment

During the period, the Group spent approximately HK\$22,668,000 (six months ended September 30, 2000: HK\$21,438,000) on property, plant and equipment to expand its business.

7. Debtors, Bills Receivable and Prepayments

The Group allows its trade customers with credit period normally ranging from 30 days to 120 days. The following is an aging analysis of debtors, bills receivable and prepayments at the reporting date:

	September 30, 2001 <i>HK\$'000</i>	March 31, 2001 <i>HK\$'000</i>
0 - 60 days	215,283	227,539
61 - 90 days	90,252	87,894
> 90 days	234,865	220,877
	<u>540,400</u>	<u>536,310</u>

Notes to the Unaudited Interim Financial Statements (Continued)

8. Creditors and Accrued Charges

The following is an aging analysis of creditors and accrued charges at the reporting date:

	September 30, 2001 HK\$'000	March 31, 2001 HK\$'000
0 - 60 days	233,518	304,826
61 - 90 days	94,634	26,775
> 90 days	47,873	29,525
	<u>376,025</u>	<u>361,126</u>

9. Share Capital

During the period, 300,000 share options were exercised, resulting in the issue of 300,000 ordinary shares of HK\$0.5 each by the Company at a price of HK\$1.41 per share.

10. Reserves

	Share premium HK\$'000	Accumulated profits HK\$'000	Other reserves HK\$'000	Total HK\$'000
Balance at April 1, 2001				
As previously reported	448,976	977,736	(667,012)	759,700
prior year adjustments	—	(56,506)	—	(56,506)
As restated	448,976	921,230	(667,012)	703,194
Net profit for the period	—	32,214	—	32,214
Dividends	—	(21,276)	—	(21,276)
Premium on issue of shares, net of expenses	268	—	—	268
Transfer of reserve	—	(21)	21	—
Share of reserves of associates				
– Translation reserve	—	—	12,331	12,331
– Capital reserve	—	—	3,579	3,579
Currency realignment	—	—	4,195	4,195
Balance at September 30, 2001	<u>449,244</u>	<u>932,147</u>	<u>(646,886)</u>	<u>734,505</u>
Attributable to:				
The Company and its subsidiaries	449,244	262,159	(355,429)	355,974
The associates	—	669,988	(291,457)	378,531
	<u>449,244</u>	<u>932,147</u>	<u>(646,886)</u>	<u>734,505</u>

Notes to the Unaudited Interim Financial Statements (Continued)

11. Contingencies and Commitments

	September 30, 2001 <i>HK\$'000</i>	March 31, 2001 <i>HK\$'000</i>
Contingent liabilities:		
Bills discounted with recourse	47,412	27,750
Guarantees given to banks in respect of banking facilities granted to associates	<u>17,140</u>	<u>19,725</u>
	<u>64,552</u>	<u>47,475</u>
Capital commitments:		
In respect of property, plant and equipment:		
Capital expenditure contracted for but not provided in the financial statements	503	1,020
Capital expenditure authorised but not contracted for	<u>2,526</u>	<u>-</u>
	<u>3,029</u>	<u>1,020</u>

At the balance sheet date, the Group was committed to invest in unlisted investment securities amounting to HK\$11,600,000.

12. Related Party Transactions

During the period, the Group entered into the following transactions with related parties:

	For the six months ended September 30	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Sales to associates	17,518	31,855
Purchases from associates	34,415	44,885
Interest income received from associates	496	10,736
Management fee income received from associates	9,412	7,668
Rental income from associates	<u>5,268</u>	<u>5,689</u>

As at the balance sheet date, the Group has the following balances with its associates under debtors, bills receivable and prepayments and creditors and accrued charges:

	September 30, 2001 <i>HK\$'000</i>	March 31, 2001 <i>HK\$'000</i>
Trade receivables from associates	9,444	17,220
Trade payables due to associates	<u>5,428</u>	<u>8,826</u>

All of the above trade receivables and trade payables are unsecured, interest free and repayable on demand.