

## Notes to condensed interim accounts

### 1. Accounting policies

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants.

Except for the change in accounting policy as set out below, the accounting policies used in the preparation of these interim accounts are consistent with those used in the accounts for the period ended 31st March, 2001.

The Group has complied with SSAP 14 (revised) for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31st March, 2001 are extracted from the Group's audited financial statements for that period.

Following the adoption of SSAP 30, the Group adopted an accounting policy to recognise goodwill as an asset which is amortized on a straight-line basis over its estimated useful life. Negative goodwill arising on acquisitions after 1st April, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted. Effective from 1st April, 2001, the negative goodwill is released on a straight-line basis over a period of twenty years. This change in accounting policy was applied proactively.

## 2. Turnover

The Group is principally engaged in the design, manufacturing and marketing of consumer electronic products.

An analysis of the Group's turnover and contribution to operating profit/(loss) for the period by principal activities and markets is as follows:

	Turnover		Operating profit/(loss)	
	Six months ended 30th September,		Six months ended 30th September,	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities				
Continuing operations				
Consumer packaged electronics	<b>61,927</b>	182,900	<b>51,403</b>	(10,838)
Telecommunication products	-	69,515	-	(14,981)
Electronic manufacturing services	<b>38,309</b>	10,024	<b>3,149</b>	3,503
Property	<b>0</b>	0	<b>2,938</b>	0
	<b>100,236</b>	262,439	<b>57,490</b>	(22,316)
Discontinued operations				
Telecommunication products (Note a)	<b>3,586</b>	-	<b>(490)</b>	-
	<b>103,822</b>	262,439	<b>57,000</b>	(22,316)
Principal markets:				
Europe	<b>28,112</b>	164,054	<b>19,895</b>	(20,492)
United States of America/Canada	<b>31,034</b>	74,025	<b>25,760</b>	(4,386)
Others	<b>44,676</b>	24,360	<b>11,345</b>	2,562
	<b>103,822</b>	262,439	<b>57,000</b>	(22,316)

Note a: The Group has discontinued the telecommunication products segment in which no further sales had been generated since September 2001.

### 3. Operating profit/(loss)

Operating profit/(loss) is stated after (crediting)/charging the following:

	<b>For the six months ended</b>	
	<b>30th September,</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Depreciation:		
Owned fixed assets	<b>8,979</b>	6,850
Leased fixed assets	<b>323</b>	323
Amortisation and write-off of		
product development costs	<b>1,776</b>	2,852
(Written back)/provision for		
stock obsolescence	<b>(10,265)</b>	6,273
Provision for bad and doubtful debts	<b>5,559</b>	61
Loss on disposal of fixed assets	<b>314</b>	179
Negative goodwill released	<b>(3,522)</b>	-
Waiver of unsecured creditors ( <i>Note a</i> )	<b>(84,593)</b>	-
	<b>_____</b>	<b>_____</b>

*Note a:* As a Scheme of Arrangement has been approved by the unsecured creditors of Team Concepts Manufacturing Ltd., a subsidiary of the Company, in a creditors' meeting held on 10th July, 2001 and sanctioned by High Court on 13th September, 2001 subsequently, liabilities amounting to approximately HK\$85 million were waived.

### 4. Taxation

No provision for Hong Kong profits tax has been made as companies within the Group operating in Hong Kong have no estimated assessable profits for the period.

Taxation outside Hong Kong represents tax charges on the estimated assessable profits of subsidiaries operating outside Hong Kong, calculated at the rates applicable in the respective jurisdiction.

The amount of taxation charged to the consolidated profit and loss account represents:

	<b>For the six months ended 30th September, 2001</b>	
	<b>2000</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>
Overseas taxation	<b>121</b>	122
Over provisions in prior periods	-	-
Deferred taxation	-	-
	<b>121</b>	122

## 5. Earnings/Loss per share – basic

The calculation of basic earnings/loss per share is based on the Group's profit/loss attributable to shareholders of HK\$52,191,000 (2000: loss HK\$32,308,000) and on the weighted average of 16,714,928,290 (2000: 1,754,405,115) ordinary shares in issue during the period.

## 6. Intangible assets

	<b>At 30th September, 2001</b>	At 31st March, 2001
	<b>HK\$'000</b>	<b>HK\$'000</b>
Product development costs		
At the beginning of the period	<b>8,726</b>	19,423
Cost incurred	<b>2,346</b>	18,349
Less: Amortisation and write-off	<b>(1,776)</b>	(29,046)
	<b>9,296</b>	8,726
Goodwill on acquisition		
At the beginning of the period	<b>95,118</b>	-
Additions	<b>(281,768)</b>	432,838
Disposal	<b>(95,118)</b>	-
Less: Negative goodwill released/ (amortisation and write-off)	<b>3,522</b>	(337,720)
	<b>(278,246)</b>	95,118
At the end of the period	<b>(268,950)</b>	103,844

## 7. Trade and bills receivables

The aging analysis of the balance is as follows:

	<b>At 30th September, 2001 HK\$'000</b>	<b>At 31st March, 2001 HK\$'000</b>
0-90 days	<b>26,766</b>	15,192
91-180 days	<b>2,605</b>	3,005
181-270 days	<b>2,348</b>	1,619
271-360 days	<b>202</b>	1,235
Over 360 days	<b>8,908</b>	31,366
Less: provision	<b>(6,694)</b>	(27,262)
	<b>34,135</b>	25,155

The majority of the Group's sales are on letters of credit. The remaining amounts are on credit terms of thirty to sixty days.

## 8. Trade and bills payables

An aging analysis of trade and bills payables is as follows:

	<b>At 30th September, 2001 HK\$'000</b>	<b>At 31st March, 2001 HK\$'000</b>
0-90 days	<b>23,962</b>	18,296
91-180 days	<b>4,585</b>	23,447
181-270 days	<b>210</b>	31,643
271-360 days	<b>-</b>	19,406
Over 360 days	<b>3,243</b>	38,505
	<b>32,000</b>	131,297

## 9. Bank loans and overdrafts

	<b>At 30th September, 2001</b>	At 31st March, 2001
	<b>HK\$'000</b>	HK\$'000
Overdrafts		
– secured ( <i>see note below</i> )	<b>82,654</b>	84,010
Short-term loans		
– secured ( <i>see note below</i> )	<b>252,280</b>	73,629
	<b>334,934</b>	157,639
Less: Long-term portion	–	–
Current portion	<b>334,934</b>	157,639

The Group agreed with its principal banker that bank loans and overdrafts amounting to approximately HK\$121 million is allowed to be repaid by the end of the fifth year. Subject to satisfactory completion of final repayment, the interest on these balances for the first thirty months will be waived.

## 10. Convertible notes

On 18th September, 2001, the Company issued HK\$210,000,000 convertible note ("the Note") to an independent third party. The Note carries an interest rate of 5 percent per annum and the rights entitling the noteholder to convert the principal amount of the Note into 2,100,000,000 shares of the Company of HK\$0.10 per share between 18th September, 2001 and 17th September, 2002. The convertible note is repayable on 18th September, 2002, if it is not converted.

**11. Share capital**

	<i>No. of Shares</i>	<i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2001	15,000,000,000	1,500,000
Increase	<u>35,000,000,000</u>	<u>3,500,000</u>
At 30th September, 2001	<u>50,000,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
At 1st April, 2001	6,630,519,000	663,052
Issue of shares	<u>22,234,300,000</u>	<u>2,223,430</u>
At 30th September, 2001	<u>28,864,819,000</u>	<u>2,886,482</u>

By an ordinary resolution passed on 9th July, 2001, the authorised share capital of the Company was increased from HK\$1,500,000,000 to HK\$5,000,000,000 by the creation of 35,000,000,000 new shares of HK\$0.10 each. These shares rank pari passu with existing shares of the Company.

On 10th July, 2001, 22,234,300,000 shares of HK\$0.10 each of the Company were allotted and issued at par to Sino-i.com Limited and the Independent Vendors (as defined in the circular of the Company dated 18th June, 2001) as partial consideration for the acquisition of the direct and indirect interests in certain properties and properties development companies by the Group.

**12. Contingent liabilities**

	<b>At 30th September, 2001 HK\$'000</b>	At 31st March, 2001 HK\$'000
Discounted bills of exchange discounted with recourse	<u><b>8,186</b></u>	<u>2,081</u>

### 13. Commitments

(a) *Capital commitments for property, plant and equipment*

	<b>At 30th September, 2001 HK\$'000</b>	At 31st March, 2001 HK\$'000
Contracted but not provided for	<b>761</b>	1,603

(b) *Commitments under operating leases*

At 30th September, 2001, the Group had commitments under non-cancellable operating leases as follows:

	<b>At 30th September, 2001 (Total commitments) HK\$'000</b>	At 31st March, 2001 (Annual commitments) HK\$'000
Within one year	<b>184</b>	976
In the second to fifth year inclusive	<b>3,645</b>	1,830
After the fifth year	<b>-</b>	1,986
	<b>3,829</b>	4,792

### 14. Related party transactions

No material and significant related party transactions for the period.

### 15. Litigations settlement

Last year, a number of creditors have issued writs against Team Concepts Manufacturing Limited, a subsidiary of the Company, to settle its outstanding debt. These creditors are defined as Scheme Creditors pursuant to the Scheme of Arrangement. The Scheme of Arrangement has been approved by unsecured creditors on 10th July, 2001 and sanctioned by High Court on 13th September, 2001, all the outstanding debts were settled by shares, convertible notes and cash payments.