

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 *Interim Financial Reporting* and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2002, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign Currencies

The revisions to SSAP No. 11 *Foreign Currency Translation* have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

In the current period, the Group has adopted SSAP No. 15 (Revised) *Cash Flow Statements*. Under SSAP No. 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing/financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

3. BUSINESS SEGMENTS

The turnover and profit (loss) after taxation of the Group for the six months ended 30th September, 2002 and 2001, analysed by business segments, are as follows:

	Six months ended 30th September, 2002 (Unaudited)		
	Electronic handheld products HK\$'000	ODM products HK\$'000	Consolidated HK\$'000
TURNOVER	379,857	134,493	514,350
RESULT			
Segment result	15,491	4,741	20,232
Unrealised loss on listed equity securities			(81)
Impairment loss on unlisted equity securities			(2,425)
Profit from operations			17,726
Finance costs			(7,345)
Share of results of associates			1,231
Net gain on disposal of subsidiaries			845
Profit before taxation			12,457
Taxation			(1,244)
Profit after taxation			11,213

	Six months ended 30th September, 2001 (Unaudited)			
	Continuing operations		Discontinued operations	Consolidated HK\$'000
	Electronic handheld products HK\$'000	ODM products HK\$'000	Electronic handheld products HK\$'000	
TURNOVER	273,497	123,539	60,457	457,493
RESULT				
Segment result	12,901	2,167	(17,911)	(2,843)
Unrealised loss on listed equity securities				(35)
Impairment loss on unlisted equity securities				(2,390)
Loss from operations				(5,268)
Finance costs				(5,311)
Share of results of associates				(2,807)
Net gain on disposal of a subsidiary				5,200
Loss before taxation				(8,186)
Taxation				-
Loss after taxation				(8,186)

4. PROFIT (LOSS) FROM OPERATIONS

	Six months ended 30th September	
	2002	2001
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit (loss) from operations has been arrived at after charging:		
Amortisation of intangible assets	2,875	614
Depreciation	17,362	27,689
and after crediting:		
Interest income	888	1,044

5. FINANCE COSTS

	Six months ended 30th September	
	2002	2001
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	2,351	4,238
Bank borrowings not wholly repayable within five years	774	943
Hire purchase contracts	125	130
Premium on convertible redeemable preferred shares issued to minority shareholders of a subsidiary	4,095	-
	7,345	5,311

6. TAXATION

The tax charge for the period of approximately HK\$1,244,000 (2001: Nil) represents the income tax in the PRC which is calculated at 7.5% of the assessable profit of a subsidiary operated in the PRC.

The Group's subsidiaries and associates in the PRC are Sino-foreign joint venture enterprises and they are eligible for certain tax holidays and concessions. Certain of the Group's subsidiaries in the PRC are subject to a 50% reduction in respect of the income tax charged for the period.

No provision for Hong Kong Profits Tax has been made in the financial statements for the six months ended 30th September, 2002 as the assessable profit of the Group is wholly absorbed by tax losses brought forward.

During the six months ended 30th September, 2001, no provision for Hong Kong Profits Tax had been made in the financial statements as the Group incurred a tax loss for that period.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the current period (2001: Nil).

8. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30th September	
	2002 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)
Profit (loss) for the purposes of basic and diluted earnings (loss) per share		
Profit (loss) for the period	19,363	(5,754)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,186,239	1,186,301
Effect of dilutive share options	562	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	1,186,801	1,186,301

The computation of diluted loss per share for the six months ended 30th September, 2001 did not assume the exercise of the share options as the exercise would result in a reduction in the loss per share for the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th September, 2002, the Group spent approximately HK\$1,620,000 (six months ended 30th September, 2001: HK\$16,862,000) on leasehold improvements, furniture, fixtures and equipment, plant and machinery, toolings and moulds and motor vehicles.

10. TRADE RECEIVABLES

The Group allows an average credit period of 60 - 90 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.9.2002	31.3.2002
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 60 days	103,644	62,383
61 – 90 days	4,025	11,536
Over 90 days	14,721	40,459
	122,390	114,378

11. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.9.2002	31.3.2002
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 60 days	109,422	50,738
61 – 90 days	14,385	32,357
Over 90 days	3,617	25,367
	127,424	108,462

12. CONVERTIBLE REDEEMABLE PREFERRED SHARES ISSUED TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amount represents 171,818 voting convertible redeemable series A preferred shares (the "Preferred Shares") issued to certain minority shareholders of a subsidiary in May 2001. The Preferred Shares shall automatically be converted into ordinary shares of the subsidiary upon either the earlier of the closing of a qualified public offering or at the option of the Preferred Shares holders. The Preferred Shares shall be redeemable at the option of the holders, out of funds legally available therefore including capital, at any time commencing five calendar years after the Preferred Shares were issued at a redemption price per share equal to the original price of the Preferred Shares plus a premium plus all declared but unpaid dividends.

The directors believe that the holders might convert the Preferred Shares into ordinary shares in full before they would become redeemable. However, a provision for the redemption premium of HK\$10,920,000 (31.3.2002: HK\$6,825,000) has been included in other payables of the Group.

13. CONTINGENCIES AND COMMITMENTS

	30.9.2002 HK\$'000 (Unaudited)	31.3.2002 HK\$'000 (Audited)
Contingencies:		
Bills discounted with recourse	–	9,293
Factoring facilities with recourse	4,600	7,068
	4,600	16,361
Commitments contracted for but not provided for in the financial statements in respect of:		
Acquisition of property, plant and equipment	3,296	2,159
Investment in unlisted securities	2,500	2,500
	5,796	4,659

14. RELATED PARTY TRANSACTIONS

During the six months ended 30th September 2002, the Group purchased goods from a related company and an associate amounting to approximately HK\$7,041,000 (six months ended 30th September, 2001: HK\$5,670,000) and approximately HK\$6,080,000 (six months ended 30th September, 2001: HK\$2,613,000), respectively. Mr. Tam Wai Tong, Thomas, a director of the Group, has a beneficial interest in the related company.

During the six months ended 30th September, 2001, the Group disposed of its 60% shareholding of a subsidiary to the minority shareholder of that subsidiary for a total consideration of HK\$1 and assigned to the minority shareholder all the rights and benefits of a loan in the sum of HK\$12,643,000 advanced by the Group to the subsidiary for a total consideration of HK\$3,250,000. The disposal resulted in a net gain of HK\$5,200,000.

The above transactions were carried out at market prices or, where no market price was available, at cost plus a percentage profit mark-up.

15. DISPOSAL OF SUBSIDIARIES

On 8th July, 2002, the Group signed a letter of intent to dispose of its pager products operation (the "Disposal") for a consideration of HK\$30,000,000 to a shareholder of an associate. The trade receivables and inventories of the pager products operation were the major assets to be disposed of in the Disposal and therefore their carrying amounts were written down to the recoverable amount of HK\$30,000,000 as at year ended 31st March, 2002. On 27th September, 2002, the Group entered into a sale agreement and completed the Disposal which resulted in a profit of approximately HK\$845,000.

The results of the pager products operation for the six months ended 30th September, 2001 and 2002 were set out in Note 3 under "Discontinued Operations".

In August 2001, the Group disposed of Max Power Electronics Limited ("Max Power"), which carried out all the operations of manufacture and sale of rechargeable battery products. A net profit of approximately HK\$5,200,000 arose from the disposal of Max Power (see note 14).

For the six months ended 30th September, 2001, the results of Max Power were insignificant.

16. COMPARATIVE FIGURES

Certain comparative amounts for the prior period have been reclassified in order to achieve a consistent presentation.