NOTES TO INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited condensed consolidated 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 ("HKSA"), (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2002, except that the Group has adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

(a) **SSAP 1 (revised)** : *Presentation of financial statements*
(b) **SSAP 11 (revised)** : *Foreign currency translation*
(c) **SSAP 15 (revised)** : *Cash flow statements*
(d) **SSAP 25 (revised)** : *Interim financial reporting*
(e) **SSAP 34** : *Employee benefits*

Certain presentational changes have been made upon the adoption of SSAP 1 (revised) "Presentation of financial statements", SSAP 15 (revised) "Cash flow statements" and SSAP 25 (revised) " Interim financial reporting".

During the period, the Group has extended its accounting policy on negative goodwill as follows :

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

2 Segment information

The Group is principally engaged in the manufacture of micromotors.

An analysis of the Group's turnover and results for the period by geographical area by origin is as follows:

	6 months ended 30th September 2002			
	Asia	**Europe**	**America**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Turnover	**294,963**	**114,847**	**72,959**	**482,769**
Operating profit	**75,336**	**16,438**	**1,874**	**93,648**
Finance costs				**(269)**
Share of profits less losses of jointly controlled entities/ associated companies	**481**	**(184)**	**-**	**297**
Profit before taxation				**93,676**
Taxation				**(13,007)**
Profit after taxation				**80,669**
Minority interests				**(1)**
Profit attributable to shareholders				**80,668**

	6 months ended 30th September 2001			
	Asia	Europe	America	Total
	US$'000	US$'000	US$'000	US$'000
Turnover	215,166	93,734	62,623	371,523
Operating profit	49,535	17,111	5,047	71,693
Finance costs				(245)
Share of profits less losses of jointly controlled entities/ associated companies	(1,122)	(1,589)	(662)	(3,373)
Profit before taxation				68,075
Taxation				(8,017)
Profit after taxation				60,058
Minority interests				(1)
Profit attributable to shareholders				60,057

3 Selling and administrative expenses

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
Selling expenses	**24,469**	16,039
Administrative expenses	**44,381**	40,678
	68,850	56,717

4 Operating profit

Operating profit is stated after crediting and charging the following:

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
Crediting		
Net exchange gain	**-**	307
Amortisation of negative goodwill	**156**	-
Charging		
Depreciation on owned fixed assets	**17,871**	18,367
Depreciation on leased fixed assets	**-**	22
Less: amounts capitalised on machinery under construction	**(715)**	(1,019)
	17,156	17,370
Amortisation of goodwill	**518**	147
Amortisation of development cost and patents	**441**	-
Loss on disposal of fixed assets	**846**	210
Net realised and unrealised loss on other investments and investment securities	**844**	497
Net exchange loss	**1,652**	-

5 Finance costs

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
Interest on bank loans and overdrafts	**144**	186
Interest on other loans, not wholly repayable within five years	**27**	9
Other incidental borrowing costs	**98**	50
	269	245

6 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period. Overseas tax has been provided at the applicable rate on the estimated assessable profit for the period.

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
Current taxation		
Hong Kong profits tax	**5,988**	4,791
Overseas taxation	**7,312**	7,147
	13,300	11,938
Deferred taxation	**(378)**	(3,921)
	12,922	8,017
Share of taxation attributable to jointly controlled entities	**85**	-
	13,007	8,017

7 Dividends

	6 months ended 30th September	
	2002	2001
	US$'000	US$'000
2001/02 Final dividend, paid of 0.94 US cents (2000/01 : 0.94 US cents)	**34,383**	34,383
2002/03 Interim, proposed on 10th December 2002, of 0.51 US cents (2001/02 : 0.38 US cents)	**18,840**	14,130
	53,223	48,513

8 Earnings per share

The calculations of basic and fully diluted earnings per share are based on the Group's profit attributable to shareholders of US$80,668,000 (2001: US$60,057,000).

The basic earnings per share is based on 3,673,788,920 (2001: 3,673,788,920) shares in issue during the period.

The fully diluted earnings per share is based on 3,673,904,805 ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average of 115,885 (2001: Nil) ordinary shares deemed to be issued at no consideration if all outstanding options had been exercised.

9 Trade and other receivables

The Group allows an average credit period ranging from 30 to 60 days to its trade customers.

The trade and other receivables included trade receivables balance of US$202,696,000 (31st March 2002: US$156,951,000). The ageing analysis of trade receivables was as follows:

	30th September 2002 US$'000	31st March 2002 US$'000
0-60 days	**165,969**	114,514
61-90 days	**16,935**	31,249
Over 90 days	**19,792**	11,188
Total	**202,696**	156,951

10 Trade and other payables

The trade and other payables included trade payables balance of US$148,267,000 (31st March 2002: US$109,682,000). The ageing analysis of trade payables was as follows:

	30th September 2002 US$'000	31st March 2002 US$'000
0-60 days	**111,239**	76,172
61-90 days	**19,152**	16,871
Over 90 days	**17,876**	16,639
Total	**148,267**	109,682

11 Long term loans

	30th September 2002 US$'000	31st March 2002 US$'000
Loans		
Secured	**5,912**	6,415
Unsecured	**1,464**	816
	7,376	7,231
Current portion of long term loans	**(245)**	(215)
	7,131	7,016
Wholly repayable within five years		
Bank loans	**5,000**	5,000
Not wholly repayable within five years		
Other loans	**2,376**	2,231
	7,376	7,231
Current portion of long term loans	**(245)**	(215)
	7,131	7,016

Other loans not wholly repayable within five years are repayable by instalments starting from July 2000 to January 2011. Interest is charged on the outstanding balances at 1.5% to 3.7% per annum.

At 30th September 2002, the Group's long term bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans	
	30th September 2002 US$'000	31st March 2002 US$'000	**30th September 2002 US$'000**	31st March 2002 US$'000
Within one year	**-**	-	**245**	215
In the second year	**5,000**	5,000	**308**	223
In the third to fifth year	**-**	-	**1,180**	1,033
After the fifth year	**-**	-	**643**	760
	5,000	5,000	**2,376**	2,231

12 Share capital

	30th September 2002 US$'000	31st March 2002 US$'000
Authorised:		
7,040,000,000 ordinary shares of HK$0.0125 each	**11,355**	11,355
Issued and fully paid:		
3,673,788,920 ordinary shares of HK$0.0125 each	**5,925**	5,925

13 Acquisition

In July 2002, Gate S.p.A. acquired the remaining 49% of shares in Brushless Technology Motors S.r.l. ("BTM") for a cash consideration of US$1,277,000 in order to facilitate growth in brushless motors for various applications. The total fair value of the net identifiable assets of the businesses at the date of acquisition was US$9,070,000. The resulting negative goodwill of US$3,079,000 is to be amortised on a straight-line basis over 5 years.

The assets and liabilities arising from the acquisition are as follows:

	US$'000
Properties, plant and equipment	**9,208**
Inventories	**7,595**
Borrowings	**(12,188)**
Other assets less liabilities	**4,455**
Fair value of net assets	**9,070**
Less: Equity interest previously accounted for	**(4,714)**
Fair value of assets acquired	**4,356**
Negative goodwill as at date of acquisition	**(3,079)**
Consideration	**1,277**

14 Contingent liabilities

(a)

	30th September 2002 US$'000	31st March 2002 US$'000
Bills discounted	**2,301**	1,972
Guarantees for credit facilities granted to an associated company	**-**	4,844
	2,301	6,816

(b) The Company has given guarantees for a subsidiary in respect of future payment of operating lease rentals amounting US$2,498,000 (31st March 2002: US$2,655,000).

(c) In August 2001, a claim for damages was made against a subsidiary of the Group and several other third party defendants for personal injury and property damage in a lawsuit pertaining to environmental contamination involving the Group's automotive parts manufacturing facility in Columbus, Mississippi, USA which was closed down in November 2001. The Group has resisted and will vigorously defend these claims as a result of advice from the Group's legal advisers as to its position with respect to these claims. During the half year under review, the Court remanded the action to the Circuit Court of Lowndes County, Mississippi. The Group and plaintiffs have served interrogatories and requests for production of documents on each other, but the parties responses to these discovery requests have not been served.

In September 2002, Lear Corporation filed a complaint seeking a declaratory judgment that the Company must indemnify and defend Lear Corporation in the action described above or, in the alternative, a declaration that Nevada Bond Investment Corp. II must indemnify and defend Lear Corporation in the action. The companies involved in this lawsuit continue to discuss issues relating to indemnification.

The Directors consider that the litigation continues to be in its formative stage and are therefore unable at such early stage to predict the final outcome of this litigation.

15 Commitments

CAPITAL COMMITMENTS	**30th September 2002 US$'000**	31st March 2002 US$'000
Capital commitments for property, plant and equipment		
Authorised but not contracted for	**4,802**	5,617
Contracted but not provided for	**12,562**	7,945
	17,364	13,562

PATRICK WANG SHUI CHUNG

Chairman and Chief Executive

Hong Kong, 10th December 2002