



NOTES TO THE INTERIM FINANCIAL REPORT

1. GENERAL INFORMATION

The Company was incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The principal activities of the Company and its subsidiaries were the design, manufacture and marketing of antennae and car-related consumer products as well as strategic development, investment and general trading. However, the listing of the Company's shares on the Stock Exchange has been suspended since 19 October 2001. Most of the companies within the Group have ceased trading in October 2001, except for a subsidiary in Tianjin, People's Republic of China, which is engaged in the manufacturing of car mirrors.

The Company and twenty-five of its subsidiaries (the "Charging Companies") were placed in receivership on 22 October 2001. In November 2002, the Company's restructuring proposal was conditionally approved by the relevant authorities. The restructuring is expected to be completed by end of December 2002.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited consolidated condensed interim financial statements ("interim financial statements") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The principal accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those adopted in the annual report for the year ended 31 March 2002.

As regards the assets and business of the Company and the Charging Companies since the appointment of the Receivers on 22 October 2001, the directors of the Company have relied on information supplied by the Receivers. The interim financial statements for the six months ended 30 September 2002 have been prepared on a going concern basis, as modified by the write-down of assets to their estimated recoverable amounts, save for the assets of Tianjin Guangying Automotive Mirror Company Limited which are carried at their book values. In the opinion of the Receivers, the Company and the Group may not have been a going concern at the balance sheet date since the condensed consolidated interim financial report shows a net deficiency of shareholders' funds of HK\$805,452,000. Nevertheless, the directors and the Receivers are of the opinion that at the date of this report, the Company is a going concern as it has obtained conditional approvals from the relevant authorities, its creditors and shareholders for the restructuring which will result in the Company returning to a net asset position.



Save for the abovementioned, the Group has the following significant accounting policies:-

Property, plant and equipment and long term investments are stated at the Receivers' best estimates of their respective net realizable values. For presentation purposes, they are shown as non-current assets.

Current assets are stated at the Receivers' best estimates of their respective net realizable values.

Bank loans and overdrafts, convertible note and interest payable ("Restructuring Liabilities") have been adjusted to reflect the amount of indebtedness confirmed by the respective financial institutions upon appointment of the Receivers, that is as at 22 October 2001.

The interest payable on bank and overdrafts and convertible note should be accrued and calculated to 30 September 2002. However, for the purpose of dividend distribution to the secured creditors, the directors and the Receivers have reached an agreement with the secured creditors to calculate the interest up to and including 22 October 2001. The secured creditors have not provided information on the interest accrued for the period from 23 October 2001 to 30 September 2002. However, in the opinion of the directors and the Receivers, upon successful completion of the proposed debt restructuring of the Group, all unpaid interest among the existing group of secured creditors will be schemed out and deemed satisfied.

Current liabilities, save for the Restructuring Liabilities up to 22 October 2001, have not been adjusted to anticipated net amounts due as there are a number of outstanding claims against the Company and the Group at the date of finalisation of the financial statements which have still to be resolved.

The interim financial statements do not contain statements of cash flows as required by Statement of Standard Accounting Practice ("SSAP") 15 "Cash flow statements" issued by the HKSA, as no information was available at the date of finalisation of this report.



3. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents total net invoiced value of goods supplied to customers outside the Group.

The analysis of the Group's turnover and contributions to loss from operations for the six months ended 30 September 2002 by principal activities and geographical markets are as follows:

	Turnover		Loss from operations	
	(Unaudited) 6 months ended 30.9.2002 HK\$'000	(Unaudited) 6 months ended 30.9.2001 HK\$'000	(Unaudited) 6 months ended 30.9.2002 HK\$'000	(Unaudited) 6 months ended 30.9.2001 HK\$'000
By principal activities				
Manufacturing and trading	<u>6,531</u>	<u>60,783</u>	<u>(8,055)</u>	<u>(61,761)</u>
By geographical markets				
Europe	–	23,200	–	(23,500)
America	–	22,360	–	(22,700)
Asia	6,531	4,786	(8,055)	(4,800)
Australia and Oceania	–	4,755	–	(4,831)
Others	–	5,682	–	(5,930)
	<u>6,531</u>	<u>60,783</u>	<u>(8,055)</u>	<u>(61,761)</u>

**4. LOSS FROM OPERATIONS**

	(Unaudited) 6 months ended 30.9.2002 (HK\$'000)	(Unaudited) 6 months ended 30.9.2001 (HK\$'000)
Loss from operations is arrived at after charging:		
Amortisation	–	1,950
Depreciation	519	590
Directors' emoluments	351	351
Provision for doubtful debts	–	12,666
Receivers' remuneration	3,151	–
Staff costs	*	3,953
And after crediting:		
Exchange gain (net)	–	350
Interest income	62	658

* Information is not available.

5. GAIN ON DISPOSAL OF A SUBSIDIARY

Pursuant to a conditional Sale and Purchase Agreement dated 28 March 2002, the Group disposed of its entire capital investment in Yin Cheong (Shenzhen) Enterprises Limited which held the legal title to the leasehold land and building in Pinghu for a total consideration of HK\$19,457,000. The agreement was only completed on 28 May 2002.

Gain on disposal in the amount of HK\$484,000 represents the gain on deconsolidation at date of disposal.

6. IMPAIRMENT LOSS ON LONG TERM INVESTMENTS

Long term investments were disposed of by the Receivers in October 2002 for a total consideration of HK\$900,000. An impairment loss of HK\$81,000 has been charged to the interim income statement.



7. CASH AND BANK BALANCES RECOVERED

Cash and bank balances recovered represent the write-back of cash and bank balances previously unaccounted for.

8. ADDITIONAL CLAIMS

Subsequent to the approval of the annual report for the year ended 31 March 2002, several banks submitted to the Receivers additional claims against the Company for loans which the Company previously provided corporate guarantees. The details of the additional claims were not established and admitted as liabilities until after the finalisation of the financial statements made up to 31 March 2002. In the opinion of the directors and the Receivers, the additional claims do not constitute a prior year adjustment as the amount involved does not have a significant effect on the financial statements for the year ended 31 March 2002.

9. TAXATION

No provision for Hong Kong and overseas profits tax has been made in the interim financial statements as the Group did not derive any assessable profits for the period ended 30 September 2002.

10. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to shareholders of HK\$19,582,000 (2001: HK\$87,380,000) and on the weighted average of 579,039,594 ordinary shares (2001: weighted average of 579,039,594 ordinary shares) in issue during the six months period.

Diluted loss per share has not been presented for the reporting and the preceding periods as no diluting events existed during these periods.

11. DIVIDEND PER SHARE

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



12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings outside Hong Kong	Leasehold improvements	Plant and machinery	Moulds	Instruments and appliances	Furniture and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost/valuation								
At 1 April 2002	56,604	208	4,109	400	108	876	225	62,530
Additions	-	-	-	-	-	-	-	-
Disposal	(56,154)	-	-	-	-	-	-	(56,154)
At 30 September 2002	450	208	4,109	400	108	876	225	6,376
Depreciation/amortisation								
At 1 April 2002	36,697	208	2,395	400	108	876	225	40,909
Charge for the year	-	-	519	-	-	-	-	519
Disposal	(36,697)	-	-	-	-	-	-	(36,697)
At 31 March 2002	-	208	2,914	400	108	876	225	4,731
Net book value								
At 30 September 2002	450	-	1,195	-	-	-	-	1,645
At 31 March 2002	19,907		1,714					21,621

- (a) As previously disclosed in the annual report for the year ended 31 March 2002, the Group disposed of the entire capital investment in Yin Cheong (Shenzhen) Enterprises Limited which held legal title to a leasehold land and building outside Hong Kong at a consideration of HK\$19,457,000. The disposal was completed on 28 May 2002.
- (b) Included in the leasehold land and building outside Hong Kong was a property situated in Shenzhen, the PRC. It is carried at its fair market value based on a valuation report dated 9 September 2002 by Vigers Hong Kong Limited, Chartered Surveyors.
- (c) Plant and machinery with a net book value of HK\$1,195,000 is situated at the factory owned by Tianjin Guangying Automotive Mirror Company Limited.



13. LONG TERM INVESTMENTS

Long term investments represent club memberships in Hong Kong. In October 2002, the club memberships were disposed of at a consideration of HK\$900,000. An impairment loss of HK\$81,000 has been charged to the unaudited consolidated income statement for the period ended 30 September 2002.

14. TRADE AND OTHER RECEIVABLES

The normal credit period granted to trade debtors was 30 to 90 days. Since the appointment of the Receivers, the Group ceased operations save for Tianjin Guangying Automotive Mirror Company Limited, operating in the PRC.

	(Unaudited) As at 30.9.2002 (HK\$'000)	(Audited) As at 31.3.2002 (HK\$'000)
Trade and other receivables	6,223	5,228
Prepayment and deposits	–	2,336
Other receivables	–	2,019
	<u>6,223</u>	<u>9,583</u>

No information was available at the date of finalisation of this report to present the ageing analysis of trade and other receivables as at 30 September 2002 and the previous year ended 31 March 2002.

15. BANK BORROWINGS

The bank borrowings are analysed as follows:

	(Unaudited) As at 30.9.2002 (HK\$'000)	(Audited) As at 31.3.2002 (HK\$'000)
Bank loans and overdrafts	497,894	480,961
Convertible note	92,880	92,880
Interest payable	140,877	140,877
	<u>731,651</u>	<u>714,718</u>

Subsequent to the approval of the annual report for the year ended 31 March 2002 on 20 September 2002, the Receivers received additional claims from certain banks in the amount of HK\$16,202,000 which represent liabilities arising from corporate guarantees given by the Company to its former subsidiaries (see Note 8 above).

**16. TRADE AND OTHER PAYABLES**

	(Unaudited) As at 30.9.2002 (HK\$'000)	(Audited) As at 31.3.2002 (HK\$'000)
Trade payables	51,335	50,705
Other payables and accruals	70,885	70,580
	<u>122,220</u>	<u>121,285</u>

No information was available at the date of finalisation of this report to present the ageing analysis of trade and other payables as at 30 September 2002 and the previous year ended 31 March 2002.

17. SHARE CAPITAL

	(Unaudited) As at 30.9.2002 (HK\$'000)	(Audited) As at 31.3.2002 (HK\$'000)
<i>Authorised:</i>		
At beginning of the period/year: 1,000,000,000 ordinary shares of HK\$0.10 each	400,000	100,000
Increased on 3 September 2001: 3,000,000,000 ordinary shares of HK\$0.10 each	—	300,000
At end of the period/year: 4,000,000,000 ordinary shares of HK\$0.10 each	<u>400,000</u>	<u>400,000</u>
<i>Issued and fully paid:</i>		
579,039,594 ordinary shares of HK\$0.10 each	<u>57,904</u>	<u>57,904</u>



18. RESERVES

	Share premium	Assets revaluation reserve	Exchange reserve	Capital reserve	Capital redemption reserve	Enterprises development reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries	445,895	25,034	(12,420)	27,489	1,868	803	(778,662)	(289,993)
Associates	-	-	-	-	-	-	(96,346)	(96,346)
At 1 April 2001	445,895	25,034	(12,420)	27,489	1,868	803	(875,008)	(586,339)
Exchange differences on translation of the financial statements of foreign subsidiaries	-	-	267	-	-	-	-	267
Exchange differences arising on deconsolidation of subsidiaries	-	-	11,700	-	-	-	-	11,700
Deficit on revaluation of property, plant and equipment and property held for sale	-	(25,034)	-	-	-	-	-	(25,034)
Transfer	-	-	-	(27,489)	-	-	27,489	-
Loss for the year	-	-	-	-	-	-	(444,368)	(444,368)
At 31 March 2002	445,895	-	(453)	-	1,868	803	(1,291,887)	(843,774)
Company and subsidiaries	445,895	-	(453)	-	1,868	803	(1,195,531)	(747,418)
Associates	-	-	-	-	-	-	(96,356)	(96,356)
At 31 March 2002	445,895	-	(453)	-	1,868	803	(1,291,887)	(843,774)
Company and subsidiaries	445,895	-	(453)	-	1,868	803	(1,195,531)	(747,418)
Associates	-	-	-	-	-	-	(96,356)	(96,356)
At 1 April 2002	445,895	-	(453)	-	1,868	803	(1,291,887)	(843,774)
Loss for the period	-	-	-	-	-	-	(19,582)	(19,582)
At 30 September 2002	445,895	-	(453)	-	1,868	803	(1,311,469)	(863,356)
Company and subsidiaries	445,895	-	(453)	-	1,868	803	(1,245,113)	(767,000)
Associates	-	-	-	-	-	-	(96,356)	(96,356)
At 30 September 2002	445,895	-	(453)	-	1,868	803	(1,311,469)	(863,356)



19. SUBSEQUENT EVENTS

- (a) On 8 August 2002, a memorandum of decision, order and judgment was issued to Golight Inc. as plaintiff, Wal-Mart Stores Inc. and North Arkansas Wholesale Company Inc. (as defendants and third-party plaintiffs) and Innovative International (HK) Limited (Receivers and Managers Appointed) (In Liquidation) ("Innovative HK") as third party defendant in relation to a patent infringement in the state of Colorado, United States of America. Innovative HK failed to appear in this case and default judgment was entered against it. In the opinion of the directors and the Receivers, no significant liability will arise in respect of this judgment.
- (b) On 4 November 2002, the Company together with Power Assets Enterprises Limited jointly submitted a resumption proposal to the relevant authorities for approval. On 8 November 2002, the Stock Exchange of Hong Kong Limited has granted its conditional approval to the resumption proposal.
- (c) On 11 November 2002, the Company convened its creditors' meeting to consider the restructuring proposal. The creditors present unanimously approved the proposal. Subsequently on 3 December 2002, the creditors' meeting and the decision thereby were sanctioned by the Hong Kong Court.
- (d) On 16 November 2002, the Company dispatched the Circular detailing terms of the restructuring to its shareholders for consideration. A special general meeting was held on 9 December 2002 and various resolutions in relation to the restructuring were approved. The restructuring is expected to be completed by end of December 2002.

20. APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim financial report was authorized and approved for issue by the board of directors on 11 December 2002.