

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2003

1. BASIS OF PREPARATION

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

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, 2003, except as described below:

Income Taxes

In the current interim period, the Group has adopted SSAP No. 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP No. 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP No. 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP No. 12 (Revised), the new accounting policy has been applied retrospectively.

Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on accumulated losses at 1st April, 2003 has been reduced by HK\$8,573,000 (1st April, 2002: HK\$9,680,000). The profit for the six months ended 30th September, 2003 has been increased by approximately HK\$890,000 (six months ended 30th September, 2002: reduced by approximately HK\$494,000).

3. BUSINESS SEGMENTS

The Group's primary format for reporting segment information is business segment.

The turnover and profit before minority interests of the Group for the six months ended 30th September, 2003 and 2002, analysed by business segments, are as follows:

	Six months ended 30th September, 2003 (Unaudited)		
	Electronic handheld products HK\$'000	Original design manufacturing ("ODM") products HK\$'000	Consolidated HK\$'000
TURNOVER	323,387	246,599	569,986
RESULT			
Segment result and profit from operations	34,747	11,417	46,164
Finance costs			(1,064)
Share of results of associates			(493)
Gain on repurchase of convertible redeemable preferred shares issued to minority shareholders of a subsidiary			46,900
Reversal of premium on convertible redeemable preferred shares issued to minority shareholders of a subsidiary			15,015
Profit before taxation			106,522
Taxation			890
Profit before minority interests			107,412
	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
Gain on disposal of discontinuing pager product operations			845
Profit before taxation			12,457
Taxation			(1,738)
Profit before minority interests			10,719

4. PROFIT FROM OPERATIONS

	Six months ended 30th September,	
	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Profit from operations has been arrived at after charging:		
Amortisation of intangible assets (included in research and development expenses)	506	2,875
Depreciation	16,908	17,362
Impairment loss of development costs	9,383	-
and after crediting:		
Interest income	603	888

5. FINANCE COSTS

	Six months ended 30th September,	
	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	671	2,351
Bank borrowings not wholly repayable within five years	-	774
Promissory notes wholly repayable within five years	385	-
Finance leases	8	125
Premium on convertible redeemable preferred shares issued to minority shareholders of a subsidiary	-	4,095
	1,064	7,345

6. GAIN ON REPURCHASE OF CONVERTIBLE REDEEMABLE PREFERRED SHARES ISSUED TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

- (a) 171,818 voting convertible redeemable series A preferred shares (the "Preferred Shares") were issued to certain minority shareholders ("MI") of a subsidiary of the Company (the "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 MI. The Preferred Shares shall be redeemable at the option of the MI, 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.

- (b) On 19th May, 2003, the Company entered into agreements (the "Agreements") with the MI in which the MI agreed to sell all the Preferred Shares of HK\$81,900,000 for a consideration of HK\$35,000,000 which was settled by an initial cash consideration of HK\$11,000,000 and the remaining balance of HK\$24,000,000 will be settled by way of promissory notes payable semi-annually by 5 instalments. The promissory notes are interest-bearing at a rate of 5.5% per annum. An amount of approximately HK\$9,214,000 of the promissory notes repayable within one year is included in current liabilities and the remaining amount of approximately HK\$14,786,000 repayable after one year is included in non-current liabilities. The title to, beneficial ownership of, and any risk attaching to the Preferred Shares together with all associated rights and benefits attaching or accruing to them were passed from the MI to the Company, upon the Agreements being effective. As a result, a gain of HK\$46,900,000 together with the reversal of the previously accrued redemption premium on the Preferred Shares of HK\$15,015,000 were recognised by the Group during the six months ended 30th September, 2003.

Pursuant to the Agreements, the Subsidiary would also issue warrants ("Warrants") to the MI for a cash consideration of HK\$10 for each Warrant. The MI are entitled, subject to the terms and conditions of the Warrants, at any time or from time to time after 19th May, 2004 and before 18th November, 2005, to subscribe for Warrant Shares (i.e. the ordinary shares and any other shares or securities at any time receivable or issuable upon exercise of the Warrants) representing up to 10% of the issued capital of the Subsidiary. The initial exercise price of the Warrants is approximately HK\$44,789,000.

7. GAIN ON DISPOSAL OF DISCONTINUING PAGER PRODUCT OPERATIONS

On 8th July, 2002, the Group signed a letter of intent to dispose of its pager product operations (the "Disposal") for a consideration of HK\$30,000,000 to a shareholder of an associate. The trade receivables and inventories of the pager product operations were the major assets to be disposed of in the Disposal. Therefore, the carrying amounts of the trade receivables and inventories of the pager product operations were written down to their recoverable amount by HK\$9,812,000 and HK\$95,998,000, respectively, which were accounted for in the year ended 31st March, 2002. On 27th September, 2002, the Group entered into a sale agreement and completed the Disposal together with a disposal of a subsidiary engaged in pager trading business resulting in a gain of approximately HK\$845,000 in the six months ended 30th September, 2002.

The results of the pager product operations were not significant to the Group for the six months ended 30th September, 2002.

8. TAXATION CREDIT (CHARGE)

	Six months ended 30th September,	
	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited) (Restated)
The taxation credit (charge) comprises:		
Income tax in the People's Republic of China (the "PRC")	–	(1,244)
Deferred taxation	890	(494)
	890	(1,738)

No tax is payable for both periods on the profit arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

The income tax in the PRC for the six months ended 30th September, 2002 was calculated at the prevailing tax rate on the assessable profit of a subsidiary in the PRC. Certain of the Group's subsidiaries in the PRC were subject to a 50% reduction under tax holiday in respect of the income tax charged for the period. The tax holiday expired during the year ended 31st March, 2003.

9. DIVIDENDS

On 3rd September, 2003, a dividend of HK1.5 cents per share was paid to shareholders as the final dividend for the year ended 31st March, 2003, amounting to approximately HK\$17,828,000.

The directors have determined that an interim dividend of HK0.5 cent per share (2002: nil) should be paid to the shareholders of the Company, whose names appear in the Register of Members on 10th December, 2003.

10. EARNINGS PER SHARE

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

	Six months ended 30th September,	
	2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited) (Restated)
Profit for the purpose of basic and diluted earnings per share		
Profit for the period	107,462	18,869
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,187,023	1,186,239
Effect of dilutive share options	7,376	562
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,194,399	1,186,801

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th September, 2003, the Group spent approximately HK\$7,280,000 (six months ended 30th September, 2002: HK\$1,620,000) on leasehold improvements, furniture, fixtures and equipment, plant and machinery, toolings and moulds and motor vehicles.

12. DEFERRED TAXATION ASSETS

For the purpose of balance sheet presentation, certain deferred taxation assets and liabilities have been offset in accordance with the conditions set out in SSAP No. 12 (Revised). The following is the analysis of the deferred taxation balances for financial reporting purposes:

	30.09.2003 HK\$'000 (Unaudited)	31.03.2003 HK\$'000 (Audited) (Restated)
Deferred taxation assets	11,974	10,952
Deferred taxation liabilities	(1,646)	(1,519)
	10,328	9,433

13. 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:

	30.09.2003 HK\$'000 (Unaudited)	31.03.2003 HK\$'000 (Audited)
0 – 60 days	112,429	77,512
61 – 90 days	1,639	560
Over 90 days	6,616	4,130
	120,684	82,202

14. TRADE PAYABLES

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

	30.09.2003 HK\$'000 (Unaudited)	31.03.2003 HK\$'000 (Audited)
0 – 60 days	144,890	89,446
61 – 90 days	1,552	5,933
Over 90 days	838	1,582
	147,280	96,961

15. CONTINGENT LIABILITIES

	30.09.2003 HK\$'000 (Unaudited)	31.03.2003 HK\$'000 (Audited)
Bills discounted with recourse	22,372	15,758
Factoring facilities with recourse	3,143	461
	25,515	16,219

At 30th September, 2003, the Group gave corporate guarantees amounting to HK\$8,000,000 (31st March, 2003: HK\$8,000,000) to bankers in respect of banking facilities granted to an associate. The facilities utilised by the associate amounted to approximately HK\$3,189,000 (31st March, 2003: HK\$3,232,000).

16. COMMITMENTS**Capital commitments**

Capital expenditure contracted for but not provided in the financial statements in respect of:

	30.09.2003 HK\$'000 (Unaudited)	31.03.2003 HK\$'000 (Audited)
Acquisition of property, plant and equipment	1,532	1,599
Investment in unlisted equity securities	2,500	2,500
	4,032	4,099

Other commitments

The Group had the following commitments in respect of licensing arrangements which fall due as follows:

	30.09.2003 HK\$'000 (Unaudited)	31.03.2003 HK\$'000 (Audited)
Within one year	1,945	1,945
In the second to fifth year inclusive	5,554	6,721
	7,499	8,666

17. RELATED PARTY TRANSACTIONS

During the six months ended 30th September 2003, the Group purchased goods from a related company and an associate amounting to approximately HK\$5,677,000 (six months ended 30th September, 2002: HK\$7,041,000) and approximately HK\$5,744,000 (six months ended 30th September, 2002: HK\$6,080,000), respectively. Mr. Tam Wai Tong, Thomas, a director of the Company, has a beneficial interest in the related company.

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