

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. Basis of preparation and accounting policies**

The Directors are responsible for the preparation of the Group's unaudited condensed consolidated interim financial statements. The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements. The adoption of the standards has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements except the followings:

(a) HKAS 17 – Leases

In prior periods, leasehold land and buildings held for own use were stated at cost/valuation less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease because the title of the land is not expected to pass to the Group by the end of lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet for the year ended 31 March 2005 have been restated to reflect the reclassification of leasehold land.

(b) HKFRS 2 – Share-based Payment

In prior periods, no recognition and measurement of share-based transactions in which employees (including Directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including Directors) render services as consideration for equity instruments (“equity-settled transactions”), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by an external valuer using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

In accordance with the transitional provision of HKFRS 2, share options granted after 7 November 2002 and had not yet vested on 1 April 2005 was expensed retrospectively in the income statement of the respective periods. As at 1 April 2005, the Group had no option granted after 7 November 2002 that had not yet vested on that day.

2. Segmental Information

The principal activities of the Group are the sale and manufacture of consumer electronic products and components and home appliances products.

The following tables present unaudited revenue for the Group’s geographical segments and business segments for the six months ended 30 September.

Geographical segments

United States of America		Europe		Asia Pacific countries		Consolidated	
2005	2004	2005	2004	2005	2004	2005	2004
HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000	HK\$000

Segment revenue:

Sales to external

customers

541,233	510,943	470,873	656,796	220,510	216,332	1,232,616	1,384,071
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Business segments

	Electronic products and components		Home appliance products		Corporate		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	1,114,252	1,253,239	118,364	130,832	-	-	1,232,616	1,384,071
Other revenue	2,227	8,618	933	39	-	-	3,160	8,657
Total	1,116,479	1,261,857	119,297	130,871	-	-	1,235,776	1,392,728
Segment results	26,479	20,169	1,708	(2,489)	(3)	(3)	28,184	17,677
Interest income and unallocated income							1,939	1,017
Unallocated expenses							(1,945)	(969)
Profit from operating activities							28,178	17,725
Finance costs							(10,225)	(5,242)
Profit before tax							17,953	12,483
Tax							(947)	(618)
Net profit attributable to shareholders							17,006	11,865

3. Profit before Tax

For the six months ended 30 September

2005	2004
Unaudited	Unaudited
HK\$'000	HK\$'000

Profit before tax is arrived at after charging/(crediting):

Amortisation of trademarks	125	125
Amortisation of research and development costs	2,127	2,352
Depreciation	37,372	34,823
Interest on borrowings	10,225	5,242
Unrealised holding losses on other investments	1,721	-
Gain on disposal of other investments	(307)	-
Interest income	(155)	(19)

4. Tax

Hong Kong profits tax has been provided at the applicable rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable in the People's Republic of China ("PRC") have been provided at the rates of tax prevailing in the PRC based on existing legislations, interpretations and practices in respect thereof.

5. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit attributable to shareholders of HK\$17,006,000 (2004: HK\$11,865,000) and the weighted average of 952,889,962 shares (2004 (restated): 706,413,187 shares) in issue during the Period.

There is no diluted earnings per share for the Period since the Company has no dilutive potential ordinary share.

6. Accounts and other receivables

Included in accounts and other receivables are accounts receivable of HK\$416,808,000 (31 March 2005: HK\$227,821,000), the aging analysis of which is as follows:

	30 September 2005 Unaudited HK\$'000	31 March 2005 Audited HK\$'000
0 – 30 days	281,808	136,923
31 – 60 days	76,815	16,944
61 – 90 days	28,021	41,054
Over 90 days	30,164	32,900
	416,808	227,821

The Group's sales are on terms of L/C at sight and the others on 60 days to 90 days open account basis.



7. Accounts and other payables

Included in accounts and other payables are accounts payable of HK\$459,527,000 (31 March 2005: HK\$269,972,000), the aging analysis of which is as follows:

	30 September 2005	31 March 2005
	Unaudited	Audited
	HK\$'000	HK\$'000
0 – 30 days	187,661	96,630
31 – 60 days	131,876	42,747
61 – 90 days	83,176	42,791
Over 90 days	56,814	87,804
	459,527	269,972

The majority of the Group's purchases are on 90 days to 120 days open account basis.

8. Share capital

	30 September 2005	31 March 2005
	Unaudited	Audited
	HK\$'000	HK\$'000
<i>Authorised:</i>		
1,200,000,000 ordinary shares of HK\$0.10 each	120,000	120,000
<i>Issued and fully paid:</i>		
952,889,962 (31 March 2005: 952,889,962) ordinary shares of HK\$0.10 each	95,289	95,289

9. Reserves

	Share premium	Contributed surplus	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2005	59,098	280	(6,831)	123,146	239,377	415,070
Exchange difference on translation of overseas subsidiaries' financial statements	–	–	4,774	–	–	4,774
Net profit for the period	–	–	–	–	17,006	17,006
Balance at 30 September 2005	59,098	280	(2,057)	123,146	256,383	436,850

10. Contingencies

Contingent liabilities in respect of bills discounted with recourse at 30 September 2005 was HK\$8,263,000 (31 March 2005: HK\$nil).

11. Commitments

- (a) Capital commitments in respect of fixed assets

	30 September 2005 Unaudited HK\$'000	31 March 2005 Audited HK\$'000
Contracted for but not provided in the financial statements	9,226	1,320
Authorised but not contracted for	—	—
	9,226	1,320

- (b) Commitments to buy and sell foreign currencies amounted to HK\$97,075,000 and Nil respectively (31 March 2005: HK\$284,518,000 and Nil respectively).

12. Related party transactions

The Group sold audio and video products and related components amounting to HK\$7,158,000 (2004: HK\$6,374,000) to Pioneer Ventures Limited ("PVL"), a wholly-owned subsidiary of EganaGoldpfeil (Holdings) Ltd, which is a substantial shareholder of the Company.

The sales to PVL were made according to the published prices and conditions offered to the other major customers of the Group.

