

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal Accounting Policies and Basis of Presentation

The condensed consolidated interim financial statements have not been audited by the Company's Auditors but have been reviewed by the Company's Audit Committee.

The Unaudited Results have been prepared in accordance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2001. Figures for the year ended 31 March 2001 are extracted from the Group annual financial statements for that year.

In accordance with the SSAP 9 (Revised) "Events after the balance sheet date", the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to HK\$12,480,000 previously recorded as a current liability as at 31 March 2001 has been restated and shown under capital and reserves in the balance sheet.

2. Turnover and Profit from Operating Activities

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area of customers for the six months period ended 30 September 2001 is as follows:

	Turnover		Profit from	
	Six months ended		Operating Activities	
	30 September		Six months ended	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By Operating Activity:				
Design and manufacture of production lines and production equipment	113,051	153,743	15,921	27,360
Distribution of brand name production equipment	39,019	67,117	4,292	9,890
Design and manufacture of consumer products	35,710	14,912	1,775	730
Provision of Sub-contracting services	30,865	24,652	6,473	5,678
	218,645	260,424	28,461	43,658
Other Income and Revenue	–	–	1,399	673
	<u>218,645</u>	<u>260,424</u>	<u>29,860</u>	<u>44,331</u>
By Geographical Segment:				
Hong Kong	107,928	195,554	14,182	34,169
The People's Republic of China excluding Hong Kong ("PRC")	78,483	55,765	11,410	9,358
Elsewhere	32,234	9,105	2,869	131
	218,645	260,424	28,461	43,658
Other Income and Revenue	–	–	1,399	673
	<u>218,645</u>	<u>260,424</u>	<u>29,860</u>	<u>44,331</u>

3. Profit from operating activities

Six months ended
30 September

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities has been arrived at after charging:		
Depreciation	7,690	5,559
Cost of inventories sold and services provided	<u>159,927</u>	<u>191,139</u>

4. Finance Costs

Six months ended
30 September

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdraft wholly repayable within five years	295	357
Interest on other loans	—	212
Interest on finance leases	<u>53</u>	<u>308</u>
	<u>348</u>	<u>877</u>

5. Tax

Six months ended
30 September

	2001 HK\$'000	2000 HK\$'000
Hong Kong	847	425
Elsewhere	2,581	6,317
Deferred	<u>405</u>	<u>124</u>
Tax Charge for the Period	<u>3,833</u>	<u>6,866</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have also been provided based on existing legislation, interpretations and practices in the countries in which the Group has operations.

6. Interim Dividend

The Board of Directors has resolved not to pay any interim dividend for the six months ended 30 September 2001 (2000: HK\$ 1 cent per share).

7. Earnings per Share

The calculations of Earnings per Share are based on the net profit from ordinary activities attributable to shareholders for the period of approximately HK\$25,679,000 (2000: HK\$36,588,000), and the issued share capital of 312,000,000 shares (2000: 234,000,000 shares). The comparative number of shares used to calculate the 2000 earnings per share represents the pro forma issued share capital of the Company comprising 1,000,000 shares issued nil-paid on incorporation of the Company, 1,000,000 shares issued for the acquisition of the entire issued share capital of i-System Investment Company Limited and the capitalization issue of 232,000,000 shares. Diluted Earnings per Share has not been calculated as no diluting event existed during the period.

8. Fixed Assets

During the six months ended 30 September 2001, the additions to fixed assets including land and buildings, machinery and equipment, and construction in progress were approximately HK\$52 million.

9. Accounts Receivable

The Group usually grants credit periods ranging from 30-90 days to normal customers. As at 30 September 2001, the aged analysis of Accounts Receivable is as follows:

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Within 90 days	43,792	63,054
91 to 120 days	5,928	6,187
Over 120 days	8,791	16,267
	<u>58,511</u>	<u>85,508</u>
Less: Provision for doubtful debts	(6,572)	(7,200)
	<u>51,939</u>	<u>78,308</u>

10. Accounts and Bills Payable

As at 30 September 2001, the aged analysis of Accounts and Bills Payable is as follows:

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Within 90 days	35,637	31,809
91 to 120 days	5,457	1,117
Over 120 days	2,450	5,023
	<u>43,544</u>	<u>37,949</u>

11. Share Capital

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 312,000,000 ordinary shares of HK\$0.10 each	<u>31,200</u>	<u>31,200</u>

12. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001	50,006	4,800	4,730	(140)	132,432	191,828
Translation differences arising on consolidation	-	-	-	(10)	-	(10)
Retained profit for the period	-	-	-	-	25,679	25,679
At 30 September 2001	<u>50,006</u>	<u>4,800</u>	<u>4,730</u>	<u>(150)</u>	<u>158,111</u>	<u>217,497</u>

13. Related party transactions

There is no significant related party transaction during the period ended 30 September, 2001.

14. Commitments

At the balance sheet date, the Group had the following commitments:

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Capital commitments in respect of building constructed, but not provided for	<u>9,063</u>	<u>6,414</u>

15. Contingent liabilities

	As at 30 September 2001 HK\$'000	As at 31 March 2001 HK\$'000
Bills discounted with recourse	<u>1,697</u>	<u>1,869</u>