

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been 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") and the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2001.

The accounting policies and methods of computation used in the preparation of these statements are consistent with those used in the financial statements for the year ended 31 March 2001 except as described below.

The Group has adopted a number of new and revised SSAPs issued by the HKSA for the first time in the current period. The changes to the Group's accounting policies resulting from the adoption of these new policies are set out below:

(a) SSAP 30: Business combinations

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. The Group has adopted SSAP 30 and has elected not to restate goodwill previously eliminated against reserves. Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 April 2001 was eliminated directly to reserves in the year of acquisition.

(b) SSAP 31: Impairment of assets

SSAP 31 requires company to assess whether there is any impairment of assets. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised for the excess of carrying value of the asset over its estimated recoverable amount.

2. SEGMENTAL INFORMATION

The Group's turnover and contribution to profit from operating activities by activities and geographical areas are summarised as follows:

	Six months ended 30 September 2001		2000	
	Turnover (Unaudited) HK\$'000	Contribution to profit from operating activities (Unaudited) HK\$'000	Turnover (Unaudited) HK\$'000	Contribution to profit from operating activities (Unaudited) HK\$'000
By activities:				
Marketing and distribution	392,222	6,160	510,959	18,340
Design, manufacture and original equipment manufacture	164,201	4,749	77,098	5,240
	<u>556,423</u>	<u>10,909</u>	<u>588,057</u>	<u>23,580</u>
By geographical areas:				
Hong Kong	372,170	10,118	410,606	18,390
Singapore	36,262	(3,345)	146,018	4,368
USA, Europe and Korea	147,991	4,136	31,433	822
	<u>556,423</u>	<u>10,909</u>	<u>588,057</u>	<u>23,580</u>

3. PROFIT FROM OPERATING ACTIVITIES

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Profit from operating activities is arrived at after charging:		
Depreciation	6,136	4,262
Loss on deemed disposal of interest in an associate	403	—
Exchange losses, net	578	557
and after crediting:		
Interest income	<u>906</u>	<u>283</u>

4. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing laws, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for tax in respect of		
profit for the period:		
Hong Kong	599	1,261
Overseas	26	695
	<hr/>	<hr/>
Tax charge for the period	625	1,956
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5. INTERIM DIVIDEND

The Board of Directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2001 (2000: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the unaudited net profit attributable to shareholders of HK\$2,272,000 (2000: HK\$14,434,000) and the weighted average of 236,321,613 (2000: 206,138,583) ordinary shares in issue during the period.

The diluted earnings per share has not been shown as the outstanding options have an anti-dilutive effect on the basic earnings per share for the period.

The calculation of diluted earnings per share for the prior period is based on the unaudited net profit attributable to shareholders of HK\$14,434,000. The weighted average number of ordinary shares used in the calculation is the weighted average of 206,138,583 ordinary shares in issue during the prior period, as used in the basic earnings per share calculation, and the weighted average of 820,006 ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options during the prior period.

7. LONG TERM INVESTMENT

On 31 August 2001, the Group's interest in the ordinary shares of Reigncom Limited ("Reigncom"), a company incorporated in the Republic of Korea, was diluted from 20.0% to 19.4% following an issue of new shares by Reigncom to its employees' association. Reigncom ceased to become an associate of the Group and has been reclassified as a long term investment. Losses arising on the deemed disposal of interests in Reigncom of HK\$403,000 have been charged to the profit and loss account.

8. INVENTORIES

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Raw materials	34,147	24,330
Work in progress	4,686	6,620
Finished goods	135,762	155,754
	<u>174,595</u>	<u>186,704</u>

9. ACCOUNTS RECEIVABLE

The Group maintains a defined credit policy and allows trade credits up to 90 days to its customers. A credit committee consisting of the senior management and the directors has been established to review and approve large customer credits. The aged analysis of accounts receivable is as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Current	100,863	76,253
Overdue less than 30 days	41,315	36,641
Overdue 31 - 60 days	19,132	10,450
Overdue over 60 days	18,151	21,551
	<u>179,461</u>	<u>144,895</u>

The above aged analysis, stated net of provision for doubtful debts, was prepared based on the invoice due dates.

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The aged analysis of accounts payable and accrued expenses is as follows:

	30 September 2001 (Unaudited) HK\$'000	31 March 2001 (Audited) HK\$'000
Current	48,261	38,934
Overdue less than 30 days	11,345	13,798
Overdue 31 - 60 days	2,905	2,067
Overdue over 60 days	867	2,464
	<u>63,378</u>	<u>57,263</u>
Accrued expenses	7,060	6,727
	<u>70,438</u>	<u>63,990</u>

The above aged analysis is prepared based on the invoice due dates.

11. ISSUED CAPITAL

	30 September 2001		31 March 2001	
	Number of Shares (Unaudited) HK\$'000	Nominal value (Unaudited) HK\$'000	Number of Shares (Audited) HK\$'000	Nominal value (Audited) HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	<u>800,000</u>	<u>80,000</u>	<u>800,000</u>	<u>80,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each	<u>236,322</u>	<u>23,632</u>	<u>236,322</u>	<u>23,632</u>

12. RESERVES

	Share premium account (unaudited) HK\$'000	Capital reserve (unaudited) HK\$'000	Exchange fluctuation reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 April 2001	81,751	13,655	(8,228)	74,018	161,196
Exchange realignments	-	-	1,450	-	1,450
Net profit for the period	-	-	-	2,272	2,272
At 30 September 2001	<u>81,751</u>	<u>13,655</u>	<u>(6,778)</u>	<u>76,290</u>	<u>164,918</u>