

## Notes to condensed interim accounts

### 1. Basis of preparation and accounting policies

These unaudited consolidated condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the annual accounts for the year ended 31 March 2001.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2001, except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:

- (a) SSAP 9 (revised) : Events after the balance sheet date  
In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. The change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 9, contributed surplus at 1 April 2000 have increased by HK\$18,756,000 which is the reversal of the provision for the 1999/2000 proposed final dividend previously recorded as a liability as at 31 March 2000 although not declared until after balance sheet date.

- (b) SSAP 26 : Segment reporting  
In note 2, the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

## (c) 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 at the date of acquisition. Goodwill on acquisitions occurring on or after 1 April 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life not exceeding 20 years. Goodwill on acquisitions that occurred prior to 1 April 2001 was written off against reserves. The Group has adopted the transitional provisions in SSAP 30 and such goodwill has not been retrospectively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of assets".

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 April 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

## 2. Segment information

The Group is principally engaged in the manufacture and sale of toy and gift products, computer heads, housewares and timepieces.

An analysis of the Group's turnover and contribution to operating (loss)/profit for the period by business segments and geographical segments is as follows:

	Turnover		Contribution to (loss)/ profit from operations	
	Six months ended 30 September		Six months ended 30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Business segments:</b>				
Toy and gift products	219,122	229,487	10,885	13,622
Computer heads	102,199	80,035	(2,189)	(2,787)
Housewares	53,377	68,997	(1,811)	3,761
Timepieces	71,930	113,980	(9,662)	2,278
Others	2,550	6,388	2,327	1,627
	<u>449,178</u>	<u>498,887</u>	(450)	18,501
Unallocated costs			(564)	(5,128)
			<u>(1,014)</u>	<u>13,373</u>



	Turnover		Contribution to (loss)/ profit from operations	
	Six months ended		Six months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Geographical segments:</b>				
Europe				
United Kingdom	114,940	133,964	(7,517)	4,968
Other countries	38,323	80,116	(2,352)	2,098
North America	196,210	230,613	9,114	7,187
Asia	86,509	32,813	(647)	3,425
Others	13,196	21,381	952	823
	<u>449,178</u>	<u>498,887</u>	<u>(450)</u>	<u>18,501</u>
Unallocated costs			<u>(564)</u>	<u>(5,128)</u>
			<u>(1,014)</u>	<u>13,373</u>

**3. (Loss)/profit from ordinary activities before taxation**

(Loss)/profit from ordinary activities before taxation is arrived at after charging/(crediting):

	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Interest on borrowings	262	828
Depreciation	13,263	13,845
Net loss on sale of fixed assets	—	650
Net unrealised and realised (losses)/gains on other securities	<u>(257)</u>	<u>605</u>

#### 4. Taxation

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong taxation	2,312	2,749
Overseas taxation	(64)	924
Deferred taxation	(117)	57
Share of a jointly controlled entity's taxation	36	92
	<u>2,167</u>	<u>3,822</u>

The provision for Hong Kong profits tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the six months ended 30 September 2001. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

#### 5. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the net loss attributable to shareholders of HK\$3,937,000 (2000: net profit of HK\$8,055,000) and on 625,201,000 (2000: 626,447,000) ordinary shares, being the weighted average number of ordinary shares outstanding during the period.

There were no dilutive potential ordinary shares in existence during the periods ended 30 September 2001 and 2000.

#### 6. Trade and other receivables

Included in trade and other receivables are debtors and bills receivable (net of provisions for bad and doubtful debts) with the following ageing analysis:

	At 30 September 2001	At 31 March 2001
	HK\$'000	HK\$'000
Within 1 month	95,192	63,503
2 – 3 months	17,950	13,839
Over 3 months	5,529	4,546
	<u>118,671</u>	<u>81,888</u>
Trade debtors and bills receivable	118,671	81,888
Other receivables	16,271	24,072
	<u>134,942</u>	<u>105,960</u>

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associated with trade receivables, credit evaluations of customers are performed periodically.



**7. Trade and other payables**

Included in trade and other payables are creditors and bills payable with the following ageing analysis:

	<b>At 30 September</b>	<b>At 31 March</b>
	<b>2001</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 1 month	33,950	54,171
2 – 3 months	23,251	4,877
Over 3 months	4,071	1,887
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Trade creditors and bills payable	61,272	60,935
Accruals and other payables	50,848	51,684
	<hr/>	<hr/>
	<b>112,120</b>	<b>112,619</b>
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**8. Share capital**

	<b>Number of shares</b>	<b>Amount</b>
	<b>'000</b>	<b>HK\$'000</b>
<b>Authorised:</b>		
Shares of US\$0.01 each	1,000,000	78,000
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<b>Issued and fully paid:</b>		
Shares of US\$0.01 each		
At 1 April 2001 and 30 September 2001	625,201	48,766
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# 9. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000 as previously reported	31,958	5,885	87,205	(5,636)	295,428	414,840
Effect of adopting SSAP 9 (revised)	—	—	18,756	—	—	18,756
At 1 April 2000 as restated	31,958	5,885	105,961	(5,636)	295,428	433,596
1999/2000 final dividend paid	—	—	(18,756)	—	—	(18,756)
Exchange difference on consolidation	—	—	—	(3,525)	—	(3,525)
Premium paid on repurchase of shares	(4,259)	—	—	—	—	(4,259)
Profit for the year	—	—	—	—	8,673	8,673
2000/2001 interim dividend paid	—	—	(6,252)	—	—	(6,252)
At 31 March 2001	<u>27,699</u>	<u>5,885</u>	<u>80,953</u>	<u>(9,161)</u>	<u>304,101</u>	<u>409,477</u>
At 1 April 2001	27,699	5,885	80,953	(9,161)	304,101	409,477
Exchange difference on consolidation	—	—	—	1,241	—	1,241
Loss for the period	—	—	—	—	(3,937)	(3,937)
At 30 September 2001	<u>27,699</u>	<u>5,885</u>	<u>80,953</u>	<u>(7,920)</u>	<u>300,164</u>	<u>406,781</u>



**10. Commitments**

At 30 September 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30 September 2001		31 March 2001	
	Land and Buildings	Other	Land and Buildings	Other
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	5,684	819	5,064	384
In the second to fifth year inclusive	12,351	948	3,867	904
After the fifth year	16,518	—	2,935	11
	<u>34,553</u>	<u>1,767</u>	<u>11,866</u>	<u>1,299</u>

**11. Contingent liabilities**

As at 30 September 2001 and 31 March 2001, the Group did not have significant contingent liabilities.

**12. Comparative figures**

Certain comparative figures have been adjusted to conform with changes in presentation in the current period.