



## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

### **1. BASIS OF PREPARATION**

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

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold properties and other investments.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants which has led to the following changes in accounting policies.

#### **Segment reporting**

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis.

#### **Goodwill**

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. However, impairment losses in respect of goodwill that arose between the date of acquisition of the relevant subsidiary or associate and the date of adoption of SSAP 30 have been recognised retrospectively (Note 13). Goodwill arising on acquisitions prior to 1 April 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as further impairment losses are identified. Negative goodwill arising on acquisitions prior to 1 April 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1 April 2001 is capitalised and amortised over its estimated useful life i.e. over periods ranging between 5 and 20 years. Negative goodwill arising on acquisitions after 1 April 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.



### 3. SEGMENT INFORMATION

The Group's turnover and (loss) profit from operations for the six months ended 30 September 2001, analysed by product category, are as follows:

	For the six months ended 30 September 2001				For the six months ended 30 September 2000			
	Turnover			Loss from operations	Turnover			Profit from operations
	External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000		External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000	
Cables and wires	282,488	3,978	286,466	(16,448)	368,739	2,507	371,246	16,461
Copper rods	154,397	69,786	224,183	4,833	168,838	75,475	244,313	8,733
Connectors and terminals	33,688	72	33,760	2,853	23,089	1,616	24,705	2,106
	470,573	73,836	544,409	(8,762)	560,666	79,598	640,264	27,300
Eliminations	-	(73,836)	(73,836)		-	(79,598)	(79,598)	
	470,573	-	470,573		560,666	-	560,666	
Investment loss				(1,040)				(2,560)
Less: Unallocated corporate administrative expenses				(2,736)				(2,091)
				(12,538)				22,649



### 3. SEGMENT INFORMATION (CONTINUED)

The Group's turnover for the six months ended 30 September 2001, analysed by geographical market, is as follows:

	For the six months ended 30 September 2001			For the six months ended 30 September 2000		
	Turnover			Turnover		
	External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000	External sales HK\$'000	Inter- segment sales HK\$'000	Total HK\$'000
Mainland China	270,074	69,858	339,932	292,556	77,091	369,647
North America	96,298	-	96,298	108,413	-	108,413
Europe	32,026	-	32,026	71,137	-	71,137
Hong Kong	11,205	-	11,205	23,407	-	23,407
Other Asian regions	60,970	3,978	64,948	65,153	2,507	67,660
	470,573	73,836	544,409	560,666	79,598	640,264
Eliminations	-	(73,836)	(73,836)	-	(79,598)	(79,598)
	470,573	-	470,573	560,666	-	560,666

An analysis of (loss) profit from operations by geographical market has not been presented as the ratio of contribution from each market is substantially in line with the overall group ratio.

### 4. (LOSS) PROFIT FROM OPERATIONS

	For the six months ended 30 September 2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
(Loss) profit from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	19,865	20,951
Amortisation of deferred expenditure	635	743
Dividend income from listed securities	(400)	(400)



## 5. TAXATION

	For the six months ended 30 September	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
Hong Kong Profits Tax		
Current period	-	740
Overprovision in respect of prior periods	-	(27)
Taxation in other jurisdictions	517	6
	<u>517</u>	<u>719</u>

No provision for Hong Kong Profits Tax was made in the financial statements as the Group has no assessable profit for the current period.

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profit for the prior period.

Taxation in other jurisdictions, including Mainland China and overseas, is calculated at the rates applicable at the respective jurisdictions.

## 6. DIVIDEND

No dividends were paid during the period.



## 7. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	<b>For the six months ended 30 September</b>	
	<b>2001 HK\$'000 (Unaudited)</b>	<b>2000 HK\$'000 (Unaudited) (Restated)</b>
Loss for the period and loss for the purposes of basic loss per share	<b>(25,225)</b>	<b>(458,332)</b>
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic loss per share	<b>15,920,731,334</b>	<b>11,887,725,869</b>

As the exercise of potential dilutive ordinary shares would result in a reduction in the loss per share, there is no dilution for both the six months ended 30 September 2000 and 2001.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$12,910,000 on additions to property, plant and equipment.

The net book value of property, plant and equipment of the Group includes an amount of approximately HK\$31,195,000 in respect of assets held under finance leases and hire purchase contracts.

At 30 September 2001, the directors have considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.



## 9. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance are trade debtors of approximately HK\$180,590,000 (At 31 March 2001: HK\$180,193,000). The Group allows an average credit period of 45 days to its trade customers.

The aged analysis of trade debtors is as follows:

	<b>30 September 2001 HK\$'000 (Unaudited)</b>	<b>31 March 2001 HK\$'000 (Audited)</b>
Within 30 days	<b>82,826</b>	80,242
31 – 60 days	<b>43,597</b>	36,870
61 – 90 days	<b>23,402</b>	18,684
Over 90 days	<b>30,765</b>	44,397
	<hr/> <b>180,590</b> <hr/>	<hr/> 180,193 <hr/>

## 10. CREDITORS AND ACCRUED CHARGES

Included in the balance are trade creditors of approximately HK\$65,635,000 (At 31 March 2001: HK\$48,347,000).

The aged analysis of trade creditors is as follows:

	<b>30 September 2001 HK\$'000 (Unaudited)</b>	<b>31 March 2001 HK\$'000 (Audited)</b>
Within 30 days	<b>27,088</b>	24,201
31 – 60 days	<b>23,727</b>	16,734
61 – 90 days	<b>11,360</b>	4,339
Over 90 days	<b>3,460</b>	3,073
	<hr/> <b>65,635</b> <hr/>	<hr/> 48,347 <hr/>



## 11. CONVERTIBLE BONDS

During the period, the Group repaid HK\$13,618,000 of the principal amount of the convertible bonds.

## 12. SHARE CAPITAL

	<b>Authorised</b>	
	<b>30 September 2001 HK\$'000 (Unaudited)</b>	<b>31 March 2001 HK\$'000 (Audited)</b>
Ordinary shares of HK\$0.01 each	<b>300,000</b>	<b>300,000</b>

	<b>Issued and fully paid</b>	
	<b>30 September 2001 HK\$'000 (Unaudited)</b>	<b>31 March 2001 HK\$'000 (Audited)</b>
Ordinary shares of HK\$0.01 each	<b>189,584</b>	<b>132,584</b>

During the period, the following changes in share capital of the Company took place:

- Pursuant to a subscription agreement entered into between the Company and Chau's Family 1996 Limited, 1,000,000,000 ordinary shares of HK\$0.01 each in the Company were issued at a price of HK\$0.024 per share.
- Pursuant to a subscription agreement entered into between the Company and Chau's Family 1996 Limited, 1,600,000,000 ordinary shares of HK\$0.01 each in the Company were issued at a price of HK\$0.021 per share.
- 3,100,000,000 new ordinary shares of HK\$0.01 each in the Company were allotted and issued to independent private and institutional investors at an issue price of HK\$0.016 per share.

All the new shares issued during the period rank pari passu in all respects with the then existing shares.



**13. RESERVES**

	<b>30 September 2001 HK\$'000 (Unaudited)</b>	<b>31 March 2001 HK\$'000 (Audited) (Restated)</b>
<b>SHARE PREMIUM</b>		
At beginning of the period/year	<b>956,709</b>	675,741
Premium arising on issue of shares net of issuance expenses	<b>44,761</b>	280,968
At end of the period/year	<b>1,001,470</b>	956,709
<b>ASSET REVALUATION RESERVE</b>		
At beginning of the period/year	<b>24,371</b>	24,235
Surplus arising on revaluation of leasehold land and buildings	<b>-</b>	136
At end of the period/year	<b>24,371</b>	24,371
<b>GOODWILL RESERVE</b>		
At beginning of the period/year	<b>(70,370)</b>	(156,229)
Goodwill on acquisition of subsidiaries and associates	<b>-</b>	(383,719)
Released on deemed disposal of an associate	<b>-</b>	1,474
Prior period adjustment in respect of		
– Retrospective recognition of impairment of goodwill	<b>-</b>	469,578
– Reversal of goodwill released upon deemed disposal of an associate	<b>-</b>	(1,474)
At end of the period/year	<b>(70,370)</b>	(70,370)
<b>RESERVE FUND</b>		
At beginning and at end of the period/year	<b>2,588</b>	2,588
<b>ENTERPRISE EXPANSION FUND</b>		
At beginning and at end of the period/year	<b>1,886</b>	1,886
<b>EXCHANGE RESERVE</b>		
At beginning of the period/year	<b>(16,175)</b>	(16,165)
Exchange difference on translation of overseas operations	<b>229</b>	(10)
At end of the period/year	<b>(15,946)</b>	(16,175)
<b>RETAINED PROFITS</b>		
At beginning of the period/year	<b>(285,036)</b>	207,558
Loss for the period/year	<b>(25,225)</b>	(492,594)
At end of the period/year	<b>(310,261)</b>	(285,036)
<b>TOTAL RESERVES</b>	<b>633,738</b>	613,973





#### 14. CONTINGENT LIABILITIES

At the balance sheet date, the Company has issued guarantees to the extent of approximately HK\$274,320,000 (31 March 2001: HK\$244,320,000) to banks to secure general banking facilities granted to certain subsidiaries, of which, approximately HK\$130,397,000 (31 March 2001: HK\$134,049,000) was utilised at 30 September 2001. In addition, the Company has issued guarantees to leasing companies in respect of hire purchase contracts and finance leases granted to certain subsidiaries with outstanding balance of approximately HK\$14,594,000 (31 March 2001: HK\$16,857,000) at 30 September 2001.

The Group also has discounted bills with recourse amounting to approximately HK\$6,605,000 (31 March 2001: Nil) at 30 September 2001.

#### 15. CAPITAL COMMITMENTS

	<b>30 September 2001 HK\$'000 (Unaudited)</b>	<b>31 March 2001 HK\$'000 (Audited)</b>
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Plant and machinery	-	3,960
Motor vehicles	-	243
	<hr/>	<hr/>
	-	4,203
	<hr/>	<hr/>
Capital expenditure for the next three years authorised but not contracted for in respect of plant and machinery	<b>60,000</b>	60,000
	<hr/>	<hr/>

In addition, the Group was committed to invest approximately HK\$14,097,000 (31 March 2001: HK\$14,097,000) in the unpaid registered capital of a subsidiary.

**16. ACQUISITION OF INVESTMENTS**

During the period, the Group paid deposits of approximately HK\$81 million for the acquisition of two businesses engaging in installation and manufacture of telecommunication networking equipment, and distribution of computers respectively.

**17. POST BALANCE SHEET EVENT**

Subsequent to the balance sheet date, the Company entered into an agreement with a third party to acquire a business engaging in production of optic fibres for a consideration of approximately RMB46 million.