

NOTES TO INTERIM ACCOUNTS

1 Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts (“interim accounts”) are 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, (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2001, except as described below. The Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2001 :

- (a) **SSAP 9 (revised)** : *Events after the balance sheet date*
- (b) **SSAP 14 (revised)** : *Leases (effective for periods commencing on or after 1st July 2000)*
- (c) **SSAP 26** : *Segment reporting*
- (d) **SSAP 28** : *Provisions, contingent liabilities and contingent assets*
- (e) **SSAP 29** : *Intangible assets*
- (f) **SSAP 30** : *Business combinations*
- (g) **SSAP 31** : *Impairment of assets*
- (h) **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 are set out below:

(a) **SSAP 9 (revised)** : *Events after the balance sheet date*

In accordance with 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. This change in accounting policy has been applied retrospectively so that the proposed final dividend amounting to US\$34,383,000 previously recorded as at 31st March 2001 has been restated and shown under shareholders’ funds.

As detailed in Note 13, opening retained earnings at 1st April 2000 have increased by US\$33,620,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31st March 2000 although not declared until after balance sheet date. Opening retained earnings at 1st April 2001 have increased by US\$34,383,000 which is the reversal of the provision for 2001 proposed final dividend previously recorded as a liability as at 31st March 2001 although not declared until after the balance sheet date.

A corresponding decrease in current liabilities by US\$34,383,000 has been reflected in the comparative 31st March 2001 balance sheet.

Changes to headings used in the previously reported 31st March 2001 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) **SSAP 26** : *Segment reporting*

In Note 2 to these interim accounts 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 adopted geographical segments as the reporting format. Comparative information has been given.

1 Basis of preparation and accounting policies (cont'd)**(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/associated company/joint venture at the date of acquisition. Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of Assets".

2 Segment information

The Group is principally engaged in the manufacture of micromotors.

An analysis of the Group's turnover and contribution to operating profit for the period by geographical area by origin is as follows:

	6 months ended 30th September 2001			Total US\$'000
	Asia US\$'000	Europe US\$'000	America US\$'000	
Turnover	215,166	93,734	62,623	371,523
Operating profit	49,535	17,111	5,047	71,693
Finance costs				(245)
Share of profits less losses of jointly controlled entities/ associated companies	(1,122)	(1,589)	(662)	(3,373)
Profit before taxation				68,075
Taxation				(8,017)
Profit after taxation				60,058
Minority interests				(1)
Profit attributable to shareholders				60,057

	6 months ended 30th September 2000			Total US\$'000
	Asia US\$'000	Europe US\$'000	America US\$'000	
Turnover	242,669	87,829	64,708	395,206
Operating profit	65,291	16,681	5,251	87,223
Finance costs				(259)
Share of profits less losses of jointly controlled entities/ associated companies	73	(234)	277	116
Profit before taxation				87,080
Taxation				(6,817)
Profit after taxation				80,263
Minority interests				(1)
Profit attributable to shareholders				80,262

3 Selling and administrative expenses

	6 months ended 30th September	
	2001	2000
	US\$'000	US\$'000
Selling expenses	16,039	17,369
Administrative expenses	40,678	36,569
	56,717	53,938

4 Operating profit

Operating profit is stated after crediting and charging the following:

	6 months ended 30th September	
	2001	2000
	US\$'000	US\$'000
Crediting		
Net realised and unrealised gain on other investments and investment securities	-	1,103
Net exchange gain	307	1,090
Charging		
Depreciation on owned fixed assets	18,367	18,588
Depreciation on leased fixed assets	22	19
Less: amounts capitalised on machinery under construction	(1,019)	(1,418)
	17,370	17,189
Amortisation of goodwill	147	-
Loss on disposal of fixed assets	210	550
Net realised and unrealised loss on other investments and investment securities	497	-

5 Finance costs

	6 months ended 30th September	
	2001	2000
	US\$'000	US\$'000
Interest on bank loans and overdrafts	186	117
Interest on other loans, not wholly repayable within five years	9	83
Interest element of finance leases	-	5
Other incidental borrowing costs	50	54
	245	259

6 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Overseas tax has been provided at the applicable rate on the estimated assessable profit for the period.

	6 months ended 30th September	
	2001	2000
	US\$'000	US\$'000
Current taxation		
Hong Kong profits tax	4,791	6,263
Overseas taxation	7,147	6,526
Deferred taxation	11,938	12,789
	(3,921)	(5,972)
	8,017	6,817

7 Dividends

	6 months ended 30th September	
	2001	2000
	US\$'000	US\$'000
2000/01 Final dividend, paid of 0.94 US cents (1999/00 : 3.64 US cents*)	34,383	33,620
2001/02 Interim, proposed on 11th December 2001, of 0.38 US cents (2000/01 : 0.38 US cents)	14,130	14,130
	48,513	47,750

* Before four-for-one share split on 14th August 2000.

8 Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of US\$60,057,000 (2000: US\$80,262,000) and 3,673,788,920 (2000: 3,673,788,920) shares in issue.

9 Trade and other receivables

The Group allows an average credit period ranging from 30 to 60 days to its trade customers.

The trade and other receivables included trade receivables balance of US\$143,814,000 (31st March 2001: US\$154,368,000). The ageing analysis of trade receivables was as follows:

	30th September 2001 US\$'000	31st March 2001 US\$'000
0-60 days	108,075	123,273
61-90 days	17,204	16,215
Over 90 days	18,535	14,880
Total	143,814	154,368

10 Trade and other payables

The trade and other payables included trade payables balance of US\$71,818,000 (31st March 2001: US\$73,844,000). The ageing analysis of trade payables was as follows:

	30th September 2001 US\$'000	31st March 2001 US\$'000
0-60 days	35,082	51,355
61-90 days	15,804	12,010
Over 90 days	20,932	10,479
Total	71,818	73,844

11 Long term loans

	30th September 2001 US\$'000	31st March 2001 US\$'000
Loans		
Secured	4,601	4,643
Unsecured	1,813	1,826
	6,414	6,469
Current portion of long term loans	(588)	(547)
	5,826	5,922
Wholly repayable within five years		
Bank loans	3,000	3,000
Not wholly repayable within five years		
Other loans	3,414	3,469
	6,414	6,469
Current portion of long term loans	(588)	(547)
	5,826	5,922

Other loans not wholly repayable within five years are repayable by instalments starting from 1st July 2000 to 31st March 2010. Interest is charged on the outstanding balances at 1.9875% to 7.95% per annum.

At 30th September 2001, the Group's long term bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans	
	30th September 2001 US\$'000	31st March 2001 US\$'000	30th September 2001 US\$'000	31st March 2001 US\$'000
Within one year	-	-	588	547
In the second year	3,000	-	491	763
In the third to fifth year	-	3,000	1,455	1,144
After the fifth year	-	-	880	1,015
	3,000	3,000	3,414	3,469

12 Share capital

	30th September 2001 US\$'000	31st March 2001 US\$'000
Authorised:		
7,040,000,000 ordinary shares of HK\$0.0125 each	11,355	11,355
Issued and fully paid:		
3,673,788,920 ordinary shares of HK\$0.0125 each	5,925	5,925

13 Reserves

	Share premium US\$'000	Investment property revaluation reserve US\$'000	Capital reserve US\$'000	(Goodwill)/ reserve on consolidation US\$'000	Exchange reserve US\$'000	Contributed surplus US\$'000	Retained earnings US\$'000	Total US\$'000
At 31st March 2000								
As previously reported	77,855	13,542	38,917	(226,544)	(20,182)	15,499	480,145	379,232
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	33,620	33,620
As restated	77,855	13,542	38,917	(226,544)	(20,182)	15,499	513,765	412,852
Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities	-	-	-	-	(5,065)	-	-	(5,065)
Revaluation deficit	-	(2,441)	-	-	-	-	-	(2,441)
Goodwill adjustment on previously acquired subsidiaries	-	-	-	(7,341)	-	-	-	(7,341)
Revaluation surplus realised upon disposal	-	(128)	-	-	-	-	128	-
Retained profit for the year	-	-	-	-	-	-	145,368	145,368
Final dividend paid 99/00	-	-	-	-	-	-	(33,620)	(33,620)
Interim dividend paid 00/01	-	-	-	-	-	-	(14,130)	(14,130)
At 31st March 2001	77,855	10,973	38,917	(233,885)	(25,247)	15,499	611,511	495,623
Final dividend proposed	-	-	-	-	-	-	(34,383)	(34,383)
	77,855	10,973	38,917	(233,885)	(25,247)	15,499	577,128	461,240
Company and subsidiaries	77,855	10,973	38,917	(233,885)	(25,247)	15,499	579,365	463,477
Jointly controlled entities	-	-	-	-	-	-	(355)	(355)
Associated companies	-	-	-	-	-	-	(1,882)	(1,882)
At 31st March 2001	77,855	10,973	38,917	(233,885)	(25,247)	15,499	577,128	461,240

13 Reserves (cont'd)

	Share premium US\$'000	Investment property revaluation reserve US\$'000	Capital reserve US\$'000	(Goodwill/ reserve on consolidation US\$'000	Exchange reserve US\$'000	Contributed surplus US\$'000	Retained earnings US\$'000	Total US\$'000
At 31st March 2001								
As previously reported	77,855	10,973	38,917	(233,885)	(25,247)	15,499	577,128	461,240
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	34,383	34,383
As restated	77,855	10,973	38,917	(233,885)	(25,247)	15,499	611,511	495,623
Adjustment arising on translation of foreign subsidiaries, associated companies and jointly controlled entities	-	-	-	-	2,906	-	-	2,906
Retained profit for the period	-	-	-	-	-	-	60,057	60,057
Final dividend paid 00/01	-	-	-	-	-	-	(34,383)	(34,383)
At 30th September 2001	77,855	10,973	38,917	(233,885)	(22,341)	15,499	637,185	524,203
Interim dividend proposed 01/02	-	-	-	-	-	-	(14,130)	(14,130)
	77,855	10,973	38,917	(233,885)	(22,341)	15,499	623,055	510,073
Company and subsidiaries	77,855	10,973	38,917	(233,885)	(22,341)	15,499	628,665	515,683
Jointly controlled entities	-	-	-	-	-	-	(2,140)	(2,140)
Associated companies	-	-	-	-	-	-	(3,470)	(3,470)
At 30th September 2001	77,855	10,973	38,917	(233,885)	(22,341)	15,499	623,055	510,073

14 Acquisition

The Group acquired the electric motor components business of Kautex Textron division of Textron Automotive Co. Inc. and certain selected automotive electric seat motor business of ArvinMeritor's Light Vehicle Systems division in June 2001 and August 2001 respectively. The total consideration of US\$25,134,000 was settled in cash. The total fair value of the net identifiable assets of the businesses at the dates of acquisition was US\$10,400,000. The resulting goodwill of US\$14,734,000 is to be amortised on a straight-line basis over 20 years. The acquired businesses contributed revenues of US\$13,037,000 and operating profit of US\$1,437,000 to the Group for the period from acquisitions to 30th September 2001.

The assets and liabilities arising from the acquisition are as follows:

	US\$'000
Properties, plant and equipment	6,900
Other assets less liabilities	3,500
Fair value of net assets	10,400
Total purchase consideration	25,134
Goodwill as at date of acquisition	14,734
Amortisation during the period	(147)
Goodwill as at 30th September 2001	14,587

There were no other significant changes in the composition of the Group during the six months ended 30th September 2001.

15 Contingent liabilities

(a)	30th September 2001 US\$'000	31st March 2001 US\$'000
Bills discounted	2,415	2,527
Guarantees for credit facilities granted to a jointly controlled entity	3,000	3,000
	5,415	5,527

(b) The company has given guarantees for a subsidiary in respect of future payment of operating lease rentals amounting US\$2,811,000 (31st March 2001: US\$2,964,000).

(c) In August 2001, a claim for damages was made against a subsidiary of the Group and several other third party defendants for personal injury and property damage in a lawsuit pertaining to environmental contamination involving the Group's automotive parts manufacturing facility in Columbus, Mississippi, USA. The Group has resisted and will vigorously defend these claims as a result of advice from the Group's legal advisers as to its position with respect to these claims. The directors consider that the litigation is only in its formative stage and are unable at such early stage to predict the ultimate outcome of this litigation.

16 Commitments

CAPITAL COMMITMENTS	30th September 2001 US\$'000	31st March 2001 US\$'000
Capital commitments for properties, plant and equipment		
Authorised but not contracted for	8,455	7,247
Contracted but not provided for	8,587	10,540
	17,042	17,787

PATRICK WANG SHUI CHUNG*Chairman and Chief Executive**Hong Kong, 11th December 2001*