

Interim Report 2001/2002

NOTES TO THE ACCOUNTS**1 Basis of preparation**

These interim financial statements are unaudited and have been prepared in accordance with the requirements of the Listing Rules of the Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The same accounting policies adopted in the audited accounts for the year ended 31st March 2001 have been applied to the interim financial statements.

2 Segmental information

	Turnover		Contribution to profit (loss) before taxation	
	Six months ended 30th September		Six months ended 30th September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Trading of				
Audio-visual products	37,555	71,031	(8,827)	357
Assembling and distribution of goods				
Rear Projection colour TVs	—	11,675	—	323
DVD players	—	14,133	—	143
Digital cameras	789	—	(540)	(180)
	38,344	96,839	(9,367)	643
Less: Net interest expenses			527	1,805
			(9,894)	(1,162)
By geographical location:				
Hong Kong	38,344	37,582	(9,894)	(5,749)
Mainland China	—	59,257	—	4,587
	38,344	96,839	(9,894)	(1,162)

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3 (Loss)/Profit from operations

(Loss)/Profit from operations is stated after charging the following:

	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
After charging:		
Cost of inventories sold	37,201	84,615
Depreciation of owned fixed assets	1,367	1,591
Depreciation of fixed assets held under hire purchase contracts	117	58
Provision for claim	5,000	—
Exchange loss	15	98
Loss on disposal of fixed assets	—	27

4 Finance costs

	Six months ended 30th September	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	554	2,746
Interest element of hire purchase contracts	34	10
	588	2,756

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5 Taxation

The taxation comprises:

	Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax		
– current (note a)	—	—
– overprovision in previous year	—	(260)
Deferred taxation (note d)	—	—
	—	(260)

- a** No Hong Kong profits tax has been provided as there is no estimated profit for the period (2000: Nil).
- b** No PRC profits tax has been provided for in the financial statements as the subsidiary operating in Beijing is granted full exemption until 31st December 2000, followed by a 50% reduction in the profits tax rate for the next three years.
- c** Taxation in the balance sheet represents the amount of Hong Kong profits tax provided for the current period and previous year less provisional tax paid.
- d** There was no significant unprovided deferred taxation as at 30th September 2001.

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6 Dividends

No interim dividend was recommended by the broad of director for the period ended 30th September 2001 (2000: Nil).

7 Loss per share – Basic

The calculation of loss per share is based on loss attributable to shareholders for the period ended 30th September 2001 of approximately HK\$9,635,000 (2000: HK\$853,000) and on the weighted average number of 221,950,685 ordinary shares in issue during the period (2000: 200,000,000 shares deemed to be in issue).

Diluted earnings per share for the six months ended 30th September 2001 and 2000 respectively was not disclosed as there were no dilutive potential ordinary shares.

8 Fixed assets

	Owned HK\$'000	Hire purchase HK\$'000	Total HK\$'000
At 1st April 2001	26,273	995	27,268
Additions	20	—	20
Depreciation	(1,367)	(117)	(1,484)
At 30th September 2001	24,926	878	25,804

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9 Accounts receivable

The normal credit period granted to the customers of the Group ranges from 60 to 90 days for customers in Hong Kong and from 90 to 150 days for customers in the PRC.

An ageing analysis of accounts receivable as at 30th September 2001 is as follows:

	As at 30th September 2001	As at 31st March 2001
	HK\$'000	HK\$'000
Within 30 days	13,859	6,243
31 – 60 days	7,662	16,630
61 – 90 days	10,094	6,795
Over 90 days	23,571	68,320
	55,186	97,988
Less: Provision for doubtful debts	—	4,085
	55,186	93,903

10 Accounts payable

An ageing analysis of accounts payable as at 30th September 2001 is as follows:

	As at 30th September 2001	As at 31st March 2001
	HK\$'000	HK\$'000
Within 30 days	1,831	20
31 – 60 days	—	30
61 – 90 days	—	1
Over 90 days	1,955	1,929
	3,786	1,980

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11 Obligations under hire purchase contracts

	As at 30th September 2001	As at 31st March 2001
	HK\$'000	HK\$'000
Within one year	313	314
In the second to fifth year inclusive	157	313
	470	627

12 Share capital

	Issued and fully paid	
	Ordinary shares of HK\$0.1 each	
	No. of shares	
	'000	HK\$'000
At 1st April 2001	215,000	21,500
Issue of new shares	43,000	4,300
At 30th September 2001	258,000	25,800

13 Reserves

	Share	Capital	Exchange	Accumulated	Total
	premium	reserve	fluctuation	Loss	Loss
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2001	39,328	69,903	(629)	(18,106)	90,496
Loss for the period	—	—	—	(9,635)	(9,635)
New issue of Shares	3,870	—	—	—	3,870
New issue expenses	(238)	—	—	—	(238)
At 30th September					
2001	42,960	69,903	(629)	(27,741)	84,493

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14 Non-current liabilities

	As at 30th September 2001 HK\$'000	As at 31st March 2001 HK\$'001
Deferred taxation	121	121
Obligations under hire purchase contracts (note 11)	470	627
	591	748
Less: Obligations under hire purchases contracts repayable within one year	(313)	(314)
	278	434

15 Reconciliation of profit (loss) before taxation to net cash inflow from operating activities

	Six months ended 30th September	
	2001 HK\$'000	2000 HK\$'000
Profit (Loss) before taxation	(9,894)	(1,162)
Interest income	(61)	(951)
Interest on bank loans and overdrafts wholly repayable within five years	554	2,746
Interest element of hire purchase contracts	35	10
Depreciation of owned fixed assets	1,367	1,591
Depreciation of fixed assets held under hire purchase contracts	117	58
Loss on disposal of other fixed assets	—	27
(Increase)/decrease in inventories	(7,130)	2,251
(Increase)/decrease in accounts receivable, prepayments, deposits and other receivables	26,184	(506)
Increase/(decrease) in accounts payable, accrued charges and other payables including amounts due to directors	13,299	7,526
Net cash inflow from operating activities	24,471	11,590

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16 Analysis of balances of cash and cash equivalents

	As at 30th September 2001	As at 30th September 2000
	HK\$'000	HK\$'000
Cash and bank balances	928	3,250
Trust receipt loans	—	(49,893)
Bank overdrafts – secured	—	—
	928	(46,643)

17 Banking facilities

At 30th September 2001, the Group do not have any bank facilities (At 31st March 2001: HK\$58 million).

18 Contingent liabilities

At 30th September 2001, the Company has not provided corporate guarantee in favour of banks to secure banking facilities granted to certain subsidiaries (At 31st March 2001: HK\$50 million).

19 Commitments under operating leases

As at 30th September 2001, the Group do not have commitment in respect of land and buildings to make payments in the next twelve months under operating leases which expire as follows:

	As at 30th September 2001	As at 31st March 2001
	HK\$'000	HK\$'000
Within one year	—	184
In the second to fifth year inclusive	—	926
After five years	—	365
	—	1,475