

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of preparation**

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants.

The accounting policies used in preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 30 April 2001 except the newly adopted accounting standards which are effective for the accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The major impacts to the Group’s accounting policies are set out below:

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

In accordance with SSAP 9 (revised), dividends proposed or declared after the balance sheet date are no longer recognised as liabilities at the balance sheet date. The change in accounting policy has no effect to the interim financial statements for the period.

**(b) SSAP 30: “Business combinations”**

In accordance with SSAP 30, goodwill arising from acquisitions occurring on or after 1 January 2001 is included in the balance sheet as a separate intangible asset and is amortised using the straight line method over its estimated useful life of not more than twenty years.

Under the Group’s previous accounting policy, goodwill arising from acquisitions was taken directly to reserves. In adopting the new SSAP 30, the Group has taken advantage of the transitional provisions and such goodwill has not been retrospectively capitalised and amortised. This change in accounting policy has no effect to the interim financial statements for the period.

Save as mentioned above, the new/revised SSAPs adopted during the six months ended 31 October 2001 do not have any material impact to the Group’s accounting policies applicable to the preparation of the interim financial statements.

**2. SEGMENTAL INFORMATION**

An analysis of the Group's turnover and contribution to loss from operating activities by principal activity and geographical area of markets is as follows:

	Turnover		Contribution to loss from operating activities	
	Six months		Six months	
	ended 31 October		ended 31 October	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>By principal activity:</b>				
Manufacture and sale of:				
Electrical products	62,543	14,205	(3,260)	616
EI transformers and adapters	40,029	114,383	(2,086)	4,964
Toroidal transformers	15,723	29,084	(820)	1,262
Other products	7,084	27,724	(369)	1,203
			(6,535)	8,045
Less: Provisions for long term investments			–	(31,750)
	125,379	185,396	(6,535)	(23,705)
<b>By geographical area:</b>				
Europe	45,744	87,737	(2,384)	3,808
The People's Republic of China (the "PRC")	36,876	56,260	(1,922)	2,441
Japan	25,865	18,788	(1,348)	815
North America	12,293	15,352	(641)	666
Others	4,601	7,259	(240)	315
			(6,535)	8,045
Less: Provisions for long term investments			–	(31,750)
	125,379	185,396	(6,535)	(23,705)

### 3. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Six months ended 31 October	
	2001	2000
	HK\$'000	HK\$'000
Depreciation :		
Owned fixed assets	6,855	6,283
Leased fixed assets	2,133	2,115
Amortization of deferred cost	833	470

### 4. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. For the last corresponding period, Hong Kong profits tax had been provided at the rate of 16% on the estimated profit arising in Hong Kong during that period.

	Six months ended 31 October	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong profits tax	—	700

### 5. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$7,894,000 (2000: HK\$26,151,000) and the weighted average of 2,747,306,000 (2000: 2,537,858,000) ordinary shares in issue during the period.

The diluted loss per share was not presented for the period ended 31 October 2001 as there were no dilutive potential ordinary shares.

The calculation of diluted loss per share for the last corresponding period ended 31 October 2000 was based on the net loss from ordinary activities attributable to shareholders for the period of HK\$26,151,000 and 2,551,968,000 ordinary shares, being the weighted average number of ordinary shares in issue during the period, adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

The reconciliation of the weighted average number of shares used in calculating the basic and diluted loss per share calculations is as follows:

		Six months ended 31 October	
		2001	2000
Weighted average number of ordinary shares used in calculating basic loss per share	<b>2,747,306,000</b>		2,537,858,000
Weighted average number of ordinary shares assumed issued at no consideration on deemed exercise of all share options outstanding during the period	—		14,110,000
Weighted average number of ordinary shares used in calculating diluted loss per share	<b>2,747,306,000</b>		2,551,968,000

#### 6. INTEREST IN AN ASSOCIATE

	31 October 2001 <i>HK\$'000</i>	30 April 2001 <i>HK\$'000</i>
Share of net assets	<b>4,490</b>	4,490

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activities
			31 October 2001	30 April 2001	
HK Sky Home Limited ("Sky Home")	Corporate	Hong Kong	<b>40%</b>	40%	Trading of home related products

**7. LONG TERM INVESTMENTS**

	<b>31 October 2001</b> <i>HK\$'000</i>	30 April 2001 <i>HK\$'000</i>
Unlisted investments, at cost	<b>52,173</b>	39,902
Loan to an investee company	<b>2,000</b>	2,000
	<b>54,173</b>	41,902
Less: Provisions	<b>(37,902)</b>	(37,902)
	<b>16,271</b>	4,000

The above investments included 30% equity interest in a private company whose particulars are as follows:

Name	Place of incorporation and operations	Class of shares held	Principal activities
TCM Cyberport Holdings Limited	British Virgin Islands	Ordinary	Development and operation of an Internet portal which provide traditional Chinese medical information and related products

The percentage of equity in the above investments attributable to the Group amounts to over 20%. This investment, however, is not equity-accounted for in accordance with SSAP 10 "Accounting for Investments in Associates" because the directors consider that the Group is not in a position to exercise significant influence over its operations.

The loan to an investee company is unsecured, interest-free and is not repayable within the next twelve months.

During the period, certain unlisted investments were acquired for long term investment purposes.

**8. TRADE RECEIVABLES**

The ageing analysis of the trade receivables is as follows:

	<b>31 October 2001</b> <i>HK\$'000</i>	30 April 2001 <i>HK\$'000</i>
Within three months	<b>43,610</b>	46,622
Within four to six months	<b>194</b>	453
Over six months	<b>667</b>	691
	<b>44,471</b>	47,766
Less: Provisions	<b>(648)</b>	(644)
	<b>43,823</b>	47,122

The credit period granted by the Group varies by customers and with an average credit period of one month from the date of recognition of the sales. An estimate for doubtful debts is made and deducted when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**9. TRADE PAYABLES**

The ageing analysis of trade payables is as follows:

	<b>31 October 2001</b> <i>HK\$'000</i>	30 April 2001 <i>HK\$'000</i>
Within three months	<b>38,995</b>	32,804
Within four to six months	<b>2,197</b>	14,576
Over six months	<b>164</b>	1,163
	<b>41,356</b>	48,543

# 10. SHARE CAPITAL

	Number of ordinary shares	HK\$ '000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each	5,000,000,000	50,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each		
At 1 May 2001	2,599,980,000	26,000
Issue of shares		
– allotment of shares (Note)	260,000,000	2,600
– repurchase of shares	(19,440,000)	(194)
Ordinary shares of HK\$0.01 each		
At 31 October 2001	2,840,540,000	28,406

*Note:* Pursuant to a placing agreement dated 29 June 2001, the Company has placed 260,000,000 new ordinary shares of HK\$0.01 each to an independent investor at a price of HK\$0.065 per share.

# 11. RESERVES

	Share premium HK\$ '000	Capital reserve/ goodwill reserve HK\$ '000	Capital redemption reserve HK\$ '000	Retained profits HK\$ '000	Total HK\$ '000
At 1 May 2001	145,422	758	477	(20,090)	126,567
New shares issued by placement	14,300	–	–	–	14,300
Share issue expenses	(125)	–	–	–	(125)
Arising from repurchase of shares	(980)	–	194	(194)	(980)
Net loss for the year	–	–	–	(7,894)	(7,894)
At 31 October 2001	158,617	758	671	(28,178)	131,868