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## 1. Basis of presentation and accounting policies

The unaudited interim results for the six months ended 30 November 2001 have been prepared in accordance with Statement of Standard Accounting Practice (the "SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies adopted are the same as those used in the Group's audited financial statements for the year ended 31 May 2001 except that the Group has changed certain of its accounting policies.

### Prior Period Adjustment

Following the adoption of the following new SSAPs issued by the HKSA which are effective for accounting periods commenced on or after 1 January 2001:

SSAP 30:	Business Combinations
SSAP 31:	Impairment of Assets

The prior period adjustment arising from the adoption of SSAPs 30 and 31 is detailed as below:

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. In previous year, goodwill was eliminated against reserves. Following the introduction of SSAP 30, goodwill arising on acquisitions on or after 1 June 2001 is capitalised in the balance sheet and is amortised to the profit and loss account over its estimated useful life. In accordance with the transitional provisions of SSAP 30, goodwill arising from earlier acquisitions before 1 June 2001 will continue to be held in reserves and no reinstatement has been made. However, any impairment arising on such goodwill previously eliminated against reserves is recognised in the profit and loss account in the year to which the impairment is related.

In accordance with the requirements of SSAP 31 and the transitional provisions of SSAP 30, an adjustment has been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against goodwill reserve. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Accordingly, goodwill in the amount of HK\$37,981,000, which was impaired in prior periods and eliminated against goodwill reserve, has been recognised directly in the prior periods' retained profits as brought forward at 1 June 2001.

### Marketable Securities

Investments in marketable securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in their respective fair values are credited or charged to the profit and loss account for the period in which they arise.

## 2. Turnover

The Group's unaudited turnover and contribution to profit are derived predominantly from the manufacture and sale of electronic calculators and other electronic products. An analysis of the Group's turnover by principal activity and geographical area of markets is as follows:

	Unaudited Six months ended 30 November	2001 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal activity:		
Manufacture and sale of electronic products	<u><b>191,703</b></u>	<u>172,882</u>
By geographical area:		
United States of America	<b>81,880</b>	98,542
Europe	<b>85,821</b>	46,670
People's Republic of China – Hong Kong	<b>16,467</b>	12,447
Others	<u><b>7,535</b></u>	<u>15,223</u>
Total	<u><b>191,703</b></u>	<u>172,882</u>

## 3. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	Unaudited Six months ended 30 November	2001 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	<b>8,417</b>	9,150
Revaluation surplus of investment properties situated in Hong Kong	–	(1,004)
Revaluation surplus of land and buildings situated in Hong Kong	–	(624)
Interest income	<u><b>(209)</b></u>	<u>(577)</u>

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

	Unaudited Six months ended 30 November	
	2001 HK\$'000	2000 HK\$'000
By principal activity:		
Manufacture and sale of electronic products	14,316	22,557
Add: Interest income	209	577
Unrealised holding gains on investments	207,022	–
	<u>221,547</u>	<u>23,134</u>
Total	<u>221,547</u>	<u>23,134</u>
By geographical area:		
United States of America	5,795	13,805
Europe	6,948	5,903
People's Republic of China - Hong Kong	1,023	1,166
Others	550	1,683
	<u>14,316</u>	<u>22,557</u>
Add: Interest income	209	577
Unrealised holding gains on investments	207,022	–
	<u>221,547</u>	<u>23,134</u>
Total	<u>221,547</u>	<u>23,134</u>

#### 4. Finance costs

	Unaudited Six months ended 30 November	
	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings	4,603	4,833
Obligations under finance leases	180	298
	<u>4,783</u>	<u>5,131</u>

## 5. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited Six months ended 30 November	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current		<b>686</b>	1,700
Hong Kong		<b>(3,210)</b>	(2,400)
Over provision in prior period		<b>(2,524)</b>	(700)
		<u><b>(2,524)</b></u>	<u>(700)</u>

## 6. Earnings per share

The calculation of basic earnings per share is based on the unaudited net profit attributable to shareholders for the six months ended 30 November 2001 of HK\$219,288,000 (2000: 18,703,000) and the weighted average number of 2,882,955,410 shares (2000: 567,575,000 shares).

The calculation of diluted earnings per share is based on the unaudited net profit attributable to shareholders for the six months ended 30 November 2001 of HK\$219,288,000 and the weighted average number of 2,891,253,695 shares. There were no dilutive potential shares in issue during the six months ended 30 November 2000, and accordingly, the diluted earnings per share was not shown.

## 7. Accounts receivable

The Group allows its trade customers with credit period normally ranging from 30 days to 90 days. The aged analysis of the accounts receivable is as follows:

	Unaudited 30 November 2001 <i>HK\$'000</i>	Audited 31 May 2001 <i>HK\$'000</i>
Current to three months	<b>31,938</b>	30,010
Four to six months	<b>632</b>	1,749
Seven to twelve months	<b>37</b>	326
	<u><b>32,607</b></u>	<u>32,085</u>

## 8. Marketable securities

	<b>Unaudited 30 November 2001 HK\$'000</b>	Audited 31 May 2001 HK\$'000
Listed investments at market value		
Hong Kong	<u><b>241,900</b></u>	<u>–</u>

As of the date of this report, the market value of the marketable securities is approximately HK\$110,700,000.

## 9. Accounts payable

Credit period granted from the creditors normally ranging from 60 days to 120 days. The aged analysis of the accounts payable is as follows:

	<b>Unaudited 30 November 2001 HK\$'000</b>	Audited 31 May 2001 HK\$'000
Current to three months	<b>10,121</b>	7,070
Four to six months	<b>2,043</b>	7,093
Seven to twelve months	<u><b>84</b></u>	<u>313</u>
	<u><b>12,248</b></u>	<u>14,476</u>

## 10. Share capital

	<b>Unaudited 30 November 2001 HK\$'000</b>	Audited 31 May 2001 HK\$'000
<i>Authorised:</i>		
50,000,000,000 ordinary shares of HK\$0.01 each (2001: 50,000,000,000)	<u><b>500,000</b></u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
4,621,088,000 ordinary shares of HK\$0.01 each (2001: 963,200,000 ordinary shares of HK\$0.01 each)	<u><b>46,211</b></u>	<u>9,632</u>

During the period, the following movements in share capital were recorded:

- (a) On 8 June 2001, the Company entered into a conditional subscription agreement with Simply Noble Limited, a substantial shareholder of the Company. Under this agreement, Simply Noble Limited agreed to subscribe for 192,072,000 new shares of the Company at a subscription price of HK\$0.09 per share. Pursuant to a directors' resolution on 15 June 2001, 192,072,000 new shares of the Company were duly allotted and issued.
- (b) Pursuant to a directors' resolution passed on 31 August 2001, the Company raised capital by way of a rights issue of 3,465,816,000 rights shares of HK\$0.01 each of the Company at a subscription price of HK\$0.035 per rights share, on the basis of three rights shares for every one existing share held by shareholders whose name appeared on the register on 14 August 2001.

## 11. Reserves

	Share premium account	Contributed surplus	Goodwill reserve	Revaluation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 June 2001						
As previously reported	169,544	91,490	(37,981)	181	162,657	385,891
Prior period adjustment ( <i>note 1</i> )	-	-	37,981	-	(37,981)	-
As restated	169,544	91,490	-	181	124,676	385,891
Net profit for the period	-	-	-	-	219,288	219,288
Subscription of new shares and rights shares, net ( <i>note 10</i> )	85,616	-	-	-	-	85,616
At 30 November 2001	<u>255,160</u>	<u>91,490</u>	<u>-</u>	<u>181</u>	<u>343,964</u>	<u>690,795</u>

## 12. Liquidity and capital resources

The gearing ratio of the Group at 30 November 2001 calculated as interest-bearing bank borrowings to total assets is approximately 14.7% and the current ratio was maintained at a healthy level of approximately 340%.

As of the date of this report, the Group had aggregate banking facilities of approximately HK\$342,600,000 of which HK\$131,087,693 had been utilized as at 30 November 2001.

The Group had no other significant capital commitments and contingencies at 30 November 2001 which have not been disclosed.