

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim accounts should be read in conjunction with the 2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those adopted in the annual accounts for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting

2. Turnover, revenue and segment information

The Group is principally engaged in the manufacturing and trading of electric cable and wire products. Revenues recognised during the period are as follows:

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Turnover		
Sale of goods	108,610	95,217
Other revenues		
Gross rental from investment property	104	–
Interest income	2	5
	<u>106</u>	<u>5</u>
Total revenues	<u>108,716</u>	<u>95,222</u>

2. **Turnover, revenue and segment information** (continued)

An analysis of the Group's turnover and contribution to operating profit/(loss) for the period by principal activities and markets is as follows:

Business segment

	Unaudited			Group HK\$'000
	Six months ended 30th June 2002			
	Manufacturing of cable and wire products HK\$'000	Trade of cable and wire products HK\$'000	Investment holdings HK\$'000	
Revenues	<u>70,010</u>	<u>38,602</u>	<u>104</u>	<u>108,716</u>
Segment results	<u>16,797</u>	<u>12,152</u>	<u>-</u>	<u>28,949</u>
Unallocated costs				<u>(23,188)</u>
Operating profit				5,761
Financial costs				<u>(715)</u>
Profit before taxation				5,046
Taxation				<u>(794)</u>
Profit attributable to shareholders				<u>4,252</u>

2. Turnover, revenue and segment information (continued)

	Unaudited			
	Six months ended 30th June 2001			
	Manufacturing of cable and wire products <i>HK\$'000</i>	Trade of cable and wire products <i>HK\$'000</i>	Investment holdings <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenues	<u>95,222</u>	<u>–</u>	<u>–</u>	<u>95,222</u>
Segment results	<u>16,285</u>	<u>–</u>	<u>1,000</u>	<u>17,285</u>
Unallocated costs				<u>(23,748)</u>
Operating loss				(6,463)
Financial costs				<u>(1,939)</u>
Loss before taxation				(8,402)
Taxation				<u>(165)</u>
Loss attributable to shareholders				<u>(8,567)</u>

2. Turnover, revenue and segment information (continued)

Geographical segment

	Unaudited Turnover		Unaudited Segment results	
	Six months ended 30th June		Six months ended 30th June	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Hong Kong	73,000	67,123	18,035	10,028
The People's Republic of China	11,439	7,551	3,282	1,575
Other Asian countries	10,780	9,936	3,534	2,340
America	7,075	4,802	2,105	1,082
Europe	1,518	2,432	480	459
South Africa	4,798	3,373	1,513	796
	<u>108,610</u>	<u>95,217</u>	<u>28,949</u>	<u>16,280</u>

Sales are based on the country in which the customers are located. There are no sales between the segments.

3. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

	Unaudited	
	Six months ended	
	30th June	
	2002	2001
	HK\$'000	HK\$'000
Amortisation of leasehold land	354	240
Auditors' remuneration	360	335
Cost of inventories	62,618	60,105
Depreciation		
Owned fixed assets other than leasehold land	4,162	4,793
Fixed assets held under hire purchase contracts	252	508
Operating lease rentals in respect of land and buildings	152	178
Outgoings in respect of investment property	14	–
Provision for bad and doubtful debts	204	49
Staff costs (excluding directors' remuneration) (Note 4)	<u>12,104</u>	<u>12,901</u>

4. Staff costs

	Unaudited	
	Six months ended	
	30th June	
	2002	2001
	HK\$'000	HK\$'000
Wages and salaries	11,917	12,742
Retirement benefit costs	<u>187</u>	<u>159</u>
	<u>12,104</u>	<u>12,901</u>

5. Finance costs

	Unaudited Six months ended 30th June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts		
Wholly repayable within five years	471	1,161
Not wholly repayable within five years	212	679
Interest element of hire purchase contracts	<u>32</u>	<u>99</u>
	<u>715</u>	<u>1,939</u>

6. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the period.

No provision for overseas taxation had been made in 2001 and 2002 as the Group's overseas subsidiary had no assessable or taxable profits calculated in accordance with the tax law of the country in which it operated.

	Unaudited Six months ended 30th June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax	794	–
Underprovisions in prior years	<u>–</u>	<u>165</u>
	<u>794</u>	<u>165</u>

7. Dividends

	Unaudited	
	Six months ended	
	30th June	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Interim, proposed, of HK\$0.01 (2001: 2000 Final, paid, of HK\$0.01) per ordinary share	<u>1,990</u>	<u>1,990</u>

Note: At a meeting held on 13th September 2002 the directors declared an interim dividend of HK\$0.01 per share for the year ending 31st December 2002. This proposed dividend is not reflected as a dividend payable in these condensed accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2002.

8. Earnings/(loss) per share

The calculation of basic earnings per share is based on the Group's profit for the six months ended 30th June 2002 of HK\$4,252,000 (30th June 2001: loss of HK\$8,567,000) and the number of 198,958,000 (30th June 2001: 198,958,000) ordinary shares in issue during the period.

No diluted earnings/(loss) per share is presented as there is no potential dilutive ordinary share during the period.

9. Retirement benefit costs

With effect from 1st December 2000, a mandatory provident fund ("MPF") scheme has been set up by the Group which is available to all employees in Hong Kong, including executive directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

The MPF scheme cost charged to the consolidated profit and loss account represents contributions payable by the Company to the fund. Contributions totalling HK\$27,690 (31st December 2001: HK\$31,579) which are payable to the fund are included in accounts payable as at 30th June 2002.

10. Fixed assets

	Unaudited Fixed assets
	<i>HK\$'000</i>
<i>Six months ended 30th June 2002</i>	
Opening net book amount as at 1st January 2002	117,313
Additions	1,156
Depreciation and amortisation	<u>(4,768)</u>
Closing net book amount as at 30th June 2002	<u><u>113,701</u></u>

11. Trade receivables

At 30th June 2002, the ageing analysis of trade receivables were as follows:

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Current – 3 months	42,661	41,468
4 – 6 months	2,659	4,001
Over 6 months	<u>386</u>	<u>432</u>
Provision	<u>45,706</u> <u>(629)</u>	<u>45,901</u> <u>(453)</u>
	<u><u>45,077</u></u>	<u><u>45,448</u></u>

Payment terms with customers are largely on credit with the exception of some new customers, which are on cash on delivery basis. Invoices are normally payable within 60 to 90 days of issuance. Longer payment terms might grant to those customers which have good payment history and long-term business relationship with the Group.

12. Other receivables, deposits and prepayments

Included in deposits, prepayments and other receivables are loans to certain directors of the Company. The information in relation to the disclosure pursuant to section 161B of the Companies Ordinance is as follows:

Name	Terms of the loan	Unaudited	Unaudited	Audited
		Maximum amounts outstanding during the period	Amounts outstanding at 30th June 2002	Amounts outstanding at 31st December 2001
		HK\$'000	HK\$'000	HK\$'000
Mr. Li Ho Cheong	Unsecured, interest free and repayable on demand	682	-	-
Mr. Mon Chung Hung	Unsecured, interest free and repayable on demand	501	-	-
Mr. Siu Yuk Shing, Marco	Unsecured, interest free and repayable on demand	900	-	-
Ms. Koo Di An, Louise	Unsecured, interest free and repayable on demand	11	-	-

At 30th June 2002, no interest has been accrued for (31st December 2001: HK\$Nil).

13. Trade payables

At 30th June 2002, the ageing analysis of trade payables were as follows:

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Current – 3 months	24,877	17,618
4 – 6 months	401	3,159
	<u>25,278</u>	<u>20,777</u>

14. Share capital

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each	<u>19,896</u>	<u>19,896</u>

15. Long-term liabilities

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Bank loans – secured (<i>note (a)</i>)	12,205	14,166
Obligations under hire purchase contracts (<i>note (b)</i>)	865	1,438
Deferred taxation	<u>2,068</u>	<u>2,068</u>
	15,138	17,672
Current portion of long-term liabilities	<u>(4,119)</u>	<u>(5,117)</u>
	<u>11,019</u>	<u>12,555</u>

(a) Bank loans – secured

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Bank loans – secured		
Wholly repayable within five years	8,460	9,758
Not wholly repayable within five years	<u>3,745</u>	<u>4,408</u>
	12,205	14,166
Less: Amount repayable within one year included in current liabilities	<u>(3,479)</u>	<u>(4,116)</u>
	<u>8,726</u>	<u>10,050</u>
Bank loans are repayable in the following periods:		
– Within one year	3,479	4,116
– In the second year	1,178	1,907
– In the third to fifth year	3,803	3,735
– After the fifth year	<u>3,745</u>	<u>4,408</u>
	<u>12,205</u>	<u>14,166</u>

15. Long-term liabilities (continued)*(b) Obligations under hire purchase contracts*

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Within one year	667	1,052
In the second year	226	368
In the third to fifth year	5	84
	<u>898</u>	1,504
Future finance charges on hire purchase	<u>(33)</u>	<u>(66)</u>
Present value of hire purchase	<u><u>865</u></u>	<u><u>1,438</u></u>
The present value of hire purchase is as follows:		
Within one year	640	1,001
In the second year	220	354
In the third to fifth year	5	83
	<u><u>865</u></u>	<u><u>1,438</u></u>

16. Pledge of assets

At 30th June 2002, the Group's banking facilities amounting to approximately HK\$75 million (31st December 2001: HK\$72 million) were secured by the following:

- (a) legal charges over certain land and buildings and investment property of the Group with a total net book value of HK\$37,366,000 (31st December 2001: HK\$37,781,000);
- (b) corporate guarantees given by the Company;
- (c) letters of undertaking from the Company and a subsidiary covenanting that their tangible net worth will be maintained at not less than HK\$45 million (31st December 2001: HK\$45 million) and HK\$10 million (31st December 2001: HK\$10 million) respectively; and
- (d) a deed of guarantee executed by the Company amounting to HK\$33 million (31st December 2001: HK\$33 million).

17. Contingent liabilities

At 30th June 2002, 12 (31st December 2001: 13) employees have completed the required number of years of service under the Employment Ordinance (“the Ordinance”) to be eligible for long service payment on termination of their employment. The Group is only liable to make such payment where the termination meets the circumstances specified in the Ordinance. If the termination of all these employees meets the circumstances specified in the Ordinance, the Group’s liabilities at 30th June 2002 would be HK\$1,738,000 (31st December 2001: HK\$1,445,000). Provision of HK\$103,000 (31st December 2001: HK\$103,000) has been made in the accounts as at 30th June 2002. The shortfall of HK\$1,635,000 (31st December 2001: HK\$1,342,000) has not been provided for in the accounts as at 30th June 2002, as in the opinion of the directors, the amount will not crystallise in the foreseeable future.

18. Commitments*Commitments under operating leases*

At 30th June 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited	Audited
	30th June	31st December
	2002	2001
	HK\$’000	HK\$’000
No later than one year	79	99
Later than one year and not later than five year	33	86
	112	185