

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2001

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Group are the manufacture of electronic products for original equipment manufacturer (“OEM”) customers, including micro-computers, telecommunication equipment and other electronic products.

2. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Statement of Standard Accounting Practice No. 25 (“SSAP 25”) “Interim Financial Reporting”, except that, in this first year of implementation of the Standard, as permitted by the Listing Rules, no comparative amounts have been presented for :

- the condensed statement of recognised gains and losses; and
- the condensed cash flow statement.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new or revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see note 18).

Segment reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the six months ended 30th June, 2000 have been amended so that they are presented on a consistent basis.

4. SEGMENT INFORMATION

Segment information for the six months ended 30th June, 2001 and 2000 is as follows:-

Business segments

	For the six months ended 30th June, 2001			
	Manufacture of electronic products for OEM customers <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	1,283,218	9,915	–	1,293,133
Inter-segment sales	–	14,363	(14,363)	–
Total revenue	<u>1,283,218</u>	<u>24,278</u>	<u>(14,363)</u>	<u>1,293,133</u>
SEGMENT RESULT	<u>27,443</u>	<u>(14,769)</u>	<u>2,356</u>	<u>15,030</u>
Unallocated corporate expenses				(8,338)
Unallocated revenue				68,897
Profit from operations				<u>75,589</u>

	For the six months ended 30th June, 2000				
	Manufacture of electronic products for OEM customers <i>HK\$'000</i>	Manufacture of printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE					
External sales	1,457,975	529,218	4,009	–	1,991,202
Inter-segment sales	–	–	32,835	(32,835)	–
Total revenue	<u>1,457,975</u>	<u>529,218</u>	<u>36,844</u>	<u>(32,835)</u>	<u>1,991,202</u>
SEGMENT RESULT	<u>54,225</u>	<u>124,592</u>	<u>(11,285)</u>	<u>(4,200)</u>	<u>163,332</u>
Unallocated corporate expenses					(6,938)
Unallocated revenue					28,450
Profit from operations					<u>184,844</u>

The business of printed circuit boards was disposed of during the year ended 31st December, 2000.

5. TURNOVER

Turnover represents the aggregate of gross invoiced sales less returns and discounts as follows:

	Six months ended 30th June,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations	1,293,133	1,461,984
Discontinued operations	–	529,218
	<u>1,293,133</u>	<u>1,991,202</u>

A geographical analysis of the Group's turnover is shown below:

	Six months ended 30th June,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exports to:		
North America	483,563	413,669
Asia	389,518	1,017,205
Europe	68,017	166,796
	<u>941,098</u>	<u>1,597,670</u>
Hong Kong	352,035	393,532
	<u>1,293,133</u>	<u>1,991,202</u>

The bulk of the Group's activities are based in Hong Kong and The People's Republic of China ("PRC") and nearly all of the Group's results are derived from the Group's operations in Hong Kong and PRC.

6. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Profit from operations comprises :		
Continuing operations	75,589	73,532
Discontinued operations	–	111,312
	<u>75,589</u>	<u>184,844</u>
(b) Profit from operations has been arrived at after charging :		
Loss on disposal of property, plant and equipment	3	–
Deficit on revaluation of investment properties	1,060	–
Provision for obsolete inventories	15,916	7,583
	<u>15,916</u>	<u>7,583</u>

7. FINANCE COSTS

	Six months ended 30th June,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	20,953	19,139

8. SHARE OF RESULTS OF ASSOCIATES

The loss of approximately HK\$16,099,000 included in the share of results of associates for the current period represents losses booked for flats sold and provisions for unsold properties.

9. PROFIT ON DISPOSAL OF DISCONTINUED OPERATIONS

The Group disposed of its business of manufacturing printed circuit boards on 17th August, 2000 and the profit on disposal of approximately HK\$784 million was recognised during the year ended 31st December, 2000.

The amount of HK\$35,924,000 mainly represents additional sales proceeds from disposal of the business of manufacturing circuit boards received during the period. The collection of this amount depended on fulfilment of certain conditions which were satisfied during the period.

10. TAXATION

	Six months ended 30th June,	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profits tax		
Hong Kong	2,555	16,565
Other jurisdictions	1,415	6,450
Deferred taxation	346	–
Taxation attributable to the Company and its subsidiaries	4,316	23,015
Share of taxation attributable to associates	417	–
	4,733	23,015

Hong Kong Profits Tax has been provided for at 16% (2000: 16%) on the estimated assessable profits for the period of the relevant members of the Group in Hong Kong. Taxation on profits assessable elsewhere has been provided for in accordance with the rates prevailing in the respective jurisdictions.

11. DIVIDEND

	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Interim dividend proposed	14,018	37,061
Underprovision in prior periods	27	–
Total dividend provided	<u>14,045</u>	<u>37,061</u>

The directors have resolved to pay an interim dividend of 3 cents per share (2000: 8 cents) on Tuesday, 30th October, 2001 to the shareholders on the Register of Members on Friday, 26th October, 2001.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the Group's net profit for the period of HK\$51,057,000 (2000: HK\$113,780,000) and the following data:

	Six months ended 30th June,	
	2001	2000
Weighted average number of ordinary shares for the purposes of basic earnings per share	466,970,180	460,030,818
Effect of dilutive potential ordinary shares Options	<u>1,481,388</u>	<u>6,263,057</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>468,451,568</u>	<u>466,293,875</u>

13. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At valuation	
At 1st January, 2001	24,868
Deficit on revaluation	(1,060)
Exchange difference	(122)
At 30th June, 2001	<u>23,686</u>

The investment properties of the Group were revalued at 30th June, 2001 on an open market value basis by an independent professional valuer. The deficit arising on revaluation of HK\$1,060,000 has been charged to the income statement.

14. PROPERTY, PLANT AND EQUIPMENT

During the period/year, the Group spent approximately HK\$16,379,000 (Year ended 31/12/2000: HK\$145,486,000) on additions to property, plant and equipment.

15. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 60 days to its trade customers, the aged analysis of trade receivables of HK\$272,924,000 (2000: HK\$411,737,000) included in trade and other receivables on due date basis are as follows:-

	At 30/6/2001 <i>HK\$'000</i>	At 31/12/2000 <i>HK\$'000</i>
0 - 60 days	180,701	311,984
61 - 90 days	9,970	6,024
Over 90 days	82,253	93,729
	<u>272,924</u>	<u>411,737</u>

16. TRADE AND OTHER PAYABLES

The aged analysis of trade payables of HK\$395,117,000 (2000: HK\$552,208,000) included in trade and other payables on due date basis are as follows:-

	At 30/6/2001 <i>HK\$'000</i>	At 31/12/2000 <i>HK\$'000</i>
0 - 60 days	302,545	447,240
61 - 90 days	53,325	92,728
Over 90 days	39,247	12,240
	<u>395,117</u>	<u>552,208</u>

17. SHARE CAPITAL

	Number of shares of HK\$0.1 each	Total HK\$'000
Issued and fully paid:-		
At 1st January, 2001	466,349,794	46,635
Issued on exercise of employee share options	912,000	91
	<u>467,261,794</u>	<u>46,726</u>

18. RESERVES

	Share premium HK\$'000	Capital redemption reserves HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Dividend reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP								
At 1st January, 2000								
– as originally stated	138,684	185	331,559	706	–	(10,544)	885,874	1,346,464
– prior period adjustment	–	–	–	–	27,541	–	–	27,541
– as restated	138,684	185	331,559	706	27,541	(10,544)	885,874	1,374,005
Exercise of share options	12,587	–	–	–	–	–	–	12,587
Premium on repurchase of shares	(2,450)	–	–	–	–	–	–	(2,450)
Transfer upon repurchase of shares	–	100	–	–	–	–	(100)	–
Net profit for the year	–	–	–	–	–	–	822,404	822,404
Dividend provided	–	–	–	–	93,598	–	(93,598)	–
Dividend paid	–	–	–	–	(65,094)	–	–	(65,094)
Exchange difference	–	–	–	–	–	(44,831)	–	(44,831)
At 31st December, 2000 and 1st January, 2001	148,821	285	331,559	706	56,045	(55,375)	1,614,580	2,096,621
Exercise of share options	1,317	–	–	–	–	–	–	1,317
Net profit for the period	–	–	–	–	–	–	51,057	51,057
Dividend provided	–	–	–	–	27	–	(27)	–
Dividend paid	–	–	–	–	(56,072)	–	–	(56,072)
Exchange difference	–	–	–	–	–	(1,487)	–	(1,487)
At 30th June, 2001	150,138	285	331,559	706	–	(56,862)	1,665,610	2,091,436

19. PLEDGE OF ASSETS

At 30th June, 2001, certain of the Group's land and buildings and plant, machinery and equipment in Hong Kong, and interests in an associate with an aggregate net book value of approximately HK\$34 million and HK\$187 million (At 31/12/2000: HK\$184 million and HK\$221 million) respectively were pledged to secure banking facilities granted to the Group and an associate to the extent of approximately HK\$567 million and HK\$41 million (At 31/12/2000: HK\$611 million and HK\$66 million) respectively.

20. COMMITMENTS AND CONTINGENT LIABILITIES

At 30th June, 2001, there were commitments and contingent liabilities, so far as not provided for in the financial statements, in respect of:-

	At 30/6/2001 HK\$'000	At 31/12/2000 HK\$'000
(a) Capital commitments contracted for in respect of acquisition of property, plant and equipment	—	22,857
(b) Commitments under non-cancellable operating leases in respect of land and buildings: Operating leases which expire:		
– within one year	9,076	—
– in the second to fifth year inclusive	30,306	4,312
– over five years	12,239	47,205
	<u>51,621</u>	<u>51,517</u>
(c) Contingent liabilities:		
(i) Guarantees given in respect of loans and banking facilities utilised by an associate	<u>40,600</u>	<u>40,600</u>
(ii) The Group will be liable for any breach of the warranties and indemnities given in connection with the disposal of the subsidiaries, which carry on the business of manufacturing printed circuit boards, during the year ended 31st December, 2000. The liabilities of the Group are limited to an amount equal to the total consideration of US\$177,827,000 (or approximately HK\$1,383,494,000) during the first year after the completion date on 17th August, 2000 (“Completion”), but this maximum liability will be reduced to US\$120,000,000 (or approximately HK\$933,600,000) after the first year following Completion (except where the breach has arisen as a result of or in connection with any fraud, wilful misrepresentation or gross negligence in which event the limit shall remain equivalent to the consideration). Details of the transactions are set out in the circular issued by the Company on 28th July, 2000.		

21. RELATED PARTY TRANSACTIONS

The Company provided a corporate guarantee and the Group pledged its investment in an associate with a net book value of approximately HK\$187 million (At 31/12/2000: HK\$171 million) in favour of a bank to secure certain banking facilities granted to an associate to the extent of approximately HK\$40,600,000 (At 31/12/2000: HK\$40,600,000).

22. POST BALANCE SHEET EVENT

As announced on 1st August, 2001, an indirect wholly-owned subsidiary of the Company is making a recommended voluntary conditional cash offer (the “offer”) for all the shares of Wong’s Circuits (Holdings) Ltd, which is 74.25% owned by the Group. As at 5:00 p.m. on 13th September, 2001, acceptances in respect of 154,187,000 shares had been received under the offer and the offer has therefore become unconditional. Details of the transaction are set out in the Group’s circular dated 28th August, 2001.