

NOTES TO CONDENSED PRO FORMA COMBINED FINANCIAL STATEMENTS

30 June 2001

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 29 January 2001 under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 2 September 2001. The shares of the Company were listed on the Stock Exchange on 18 September 2001.

These condensed pro forma combined interim financial statements are based on the management accounts of the companies now comprising the Group, after making such adjustments as we consider appropriate, include the combined results, statement of recognised gains and losses, cash flows and balance sheets of the companies now comprising the Group as if the current Group structure had been in existence throughout the financial periods presented, or from its respective date of incorporation where this is a shorter period. All material intra-Group transactions and balances have been eliminated on combination.

The condensed pro forma combined interim financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 2.125 "Interim Financial Reporting", except that the comparative figures of the condensed pro forma combined cash flow statement have not been presented as the Company has taken advantage of the transitional provisions set out in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The basis of presentation and accounting policies adopted in these condensed pro forma combined interim financial statements are consistent with those as set out in the prospectus of the Company dated 6 September 2001.

2. SEGMENTAL INFORMATION

All of the Group's pro forma combined turnover and net profit from ordinary activities attributable to shareholders were derived from the manufacture and sale of electronic products for the six months ended 30 June 2001.

The Group's pro forma combined turnover and net profit from ordinary activities attributable to shareholders by geographical area of principal market of the Group's products for the six months ended 30 June 2001 are analysed as follows:

	Turnover		Net profit from ordinary activities attributable to shareholders	
	Six months ended 30 June		Six months ended 30 June	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
By geographical area:				
Hong Kong	3,779	2,921	51	34
India	55,103	34,176	6,212	3,758
Elsewhere in Asia	60,445	39,187	6,166	3,764
Africa, Western Europe, Middle East, North and South America, and Russia	91,525	55,673	12,519	7,669
	210,852	131,957	24,948	15,225

3. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities for the period is arrived at after charging:

	Six months ended 30 June	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Depreciation	1,469	1,050
Deficit on revaluation of leasehold land and buildings	234	–

4. FINANCE COSTS

	Six months ended	
	30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans:		
Wholly repayable within five years	297	140
Repayable beyond five years	160	122
Less: Interest capitalised	<u>(156)</u>	<u>–</u>
	<u>301</u>	<u>262</u>

5. TAX

	Six months ended	
	30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current period provision:		
Hong Kong	27	31
Macau	4,724	2,803
Elsewhere in the PRC	<u>22</u>	<u>77</u>
Tax charge for the period	<u>4,773</u>	<u>2,911</u>

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 six months ended 30 June 2001. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the period (2000: Nil).

6. DIVIDEND

	Six months ended	
	30 June	
	2001	2000
	HK\$'000	HK\$'000
Interim dividend	6,000	—

The 2001 interim dividend was paid by a subsidiary of the Company to its then shareholders prior to the Group reorganisation. The Directors do not recommend the payment of any further interim dividend in respect of the six months ended 30 June 2001.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the pro forma combined net profit from ordinary activities attributable to shareholders of approximately HK\$24,948,000 for the six months ended 30 June 2001 (2000: HK\$15,225,000) and on 360,000,000 (2000: 360,000,000) shares deemed to have been issued throughout the period.

There were no potential dilutive ordinary shares in existence for the six months ended 30 June 2001 and 2000, accordingly, no diluted earnings per share have been presented.

8. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 90 days. All trade receivables as at 30 June 2001 and 31 December 2000 were aged less than 90 days from the date of recognition of the sale.

9. TRADE PAYABLES

All trade payables as at 30 June 2001 and 31 December 2000 were aged less than 60 days from the date of receipt of the goods purchased.

10. SHARE CAPITAL

The following is a summary of the movements in the authorised and issued share capital of the Company:

	Number of authorised shares <i>'000</i>	Number of issued shares <i>'000</i>	Nominal value of shares issued <i>HK\$'000</i>
Shares allotted and issued nil paid on incorporation	10,000	10,000	–
Increase in authorised share capital	1,990,000	–	–
Shares issued as consideration for the acquisition of the entire issued share capital of a subsidiary	–	10,000	100
Application of capital reserve to pay up nil paid shares	<u>–</u>	<u>–</u>	<u>100</u>
Pro forma share capital as at 30 June 2001 and 31 December 2000	<u>2,000,000</u>	<u>20,000</u>	<u>200</u>

11. RESERVES

	Contributed surplus <i>HK\$'000</i>	Fixed asset revaluation reserve <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001	9	–	43	50,832	50,884
Surplus on revaluation	–	2,927	–	–	2,927
Net profit for the period	–	–	–	24,948	24,948
Dividend	–	–	–	(6,000)	(6,000)
Statutory reserve fund transfer	<u>–</u>	<u>–</u>	<u>32</u>	<u>(32)</u>	<u>–</u>
At 30 June 2001	<u>9</u>	<u>2,927</u>	<u>75</u>	<u>69,748</u>	<u>72,759</u>

12. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rentals on leasehold land and buildings	<u>164</u>	<u>327</u>

The rentals on leasehold land and buildings were paid to Mr. Lam Ping Kei and Ms. Wong Choi Fung, directors of the Company, for leasing the factory premises used by a subsidiary of the Company in the PRC.

In the opinion of the Directors, the above transactions were carried out in the ordinary course of business of the Group with reference to the open market rental values of the properties. The Directors have confirmed that these related parties transactions had discontinued since 1 April 2001.

13. COMMITMENTS

At 30 June 2001, the Group had the following commitments:

	30 June	31 December
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
(i) Contracted capital commitments in respect of leasehold buildings	<u>2,245</u>	<u>3,051</u>
(ii) Future aggregate lease payments under non-cancellable operating leases in respect of leasehold land and building expiring:		
Within one year	261	472
In the second year	<u>109</u>	<u>240</u>
	<u>370</u>	<u>712</u>