

FINANCIAL STATEMENTS

Condensed Consolidated Profit and Loss Account

	Notes	Six months ended 31 December	
		2001 (<i>unaudited</i>) HK\$'000	2000 (<i>unaudited</i>) HK\$'000
TURNOVER	2	1,149,969	150,210
Cost of sales		(914,740)	(130,485)
Gross profit		235,229	19,725
Other revenue		3,125	7,911
Selling and distribution costs		(30,778)	(11,264)
Administrative expenses		(98,606)	(20,617)
Other operating expenses		(17,923)	(6,556)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		91,047	(10,801)
Finance costs		(16,061)	(5,557)
Share of profits of associates		—	112,588
Share of loss of a jointly-controlled entity		(431)	—
PROFIT BEFORE TAX	3	74,555	96,230
Tax	4	(6,188)	(10,733)
PROFIT BEFORE MINORITY INTERESTS		68,367	85,497
Minority interests		(51,995)	—
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		16,372	85,497
DIVIDENDS	5	11,751	29,284
Proposed interim dividend			
		<i>HK cents</i>	<i>HK cents</i> (<i>restated</i>)
EARNINGS PER SHARE	6		
Basic		1.39	7.30
Diluted		1.39	7.02

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Condensed Consolidated Statement of Recognised Gains and Losses

	Six months ended 31 December	
	2001 <i>(unaudited)</i> HK\$'000	2000 <i>(unaudited)</i> HK\$'000
Exchange losses on translation of the financial statements of foreign entities	(869)	(12,054)
Net profit from ordinary activities attributable to shareholders	16,372	85,497
Goodwill written back on deemed disposal of interest in a subsidiary	15,503	73,443
	1,598	—
Total recognised gains and losses	17,101	73,443

Condensed Consolidated Balance Sheet

		31 December 2001 (unaudited) HK\$'000	30 June 2001 (audited) HK\$'000 (restated)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	7	1,737,793	1,778,070
Intangible assets		2,350	2,733
Interest in a jointly-controlled entity		10,067	10,499
		1,750,210	1,791,302
CURRENT ASSETS			
Inventories		263,440	317,495
Trade and bills receivables	8	558,613	533,126
Prepayments, deposits and other receivables		84,775	152,572
Cash and cash equivalents		233,685	217,588
		1,140,513	1,220,781
CURRENT LIABILITIES			
Trade and bills payables	9	300,085	358,843
Tax payable		14,488	16,243
Other payables and accruals		159,073	187,196
Trust receipt and export loans		17,462	34,807
Interest-bearing bank loans and other borrowings		386,592	329,125
		877,700	926,214
NET CURRENT ASSETS		262,813	294,567
TOTAL ASSETS LESS CURRENT LIABILITIES		2,013,023	2,085,869
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		422,197	461,201
Deferred tax		7,780	12,242
		429,977	473,443
MINORITY INTERESTS		939,439	962,419
		643,607	650,007
CAPITAL AND RESERVES			
Issued capital	10	117,506	117,506
Reserves	11	433,860	428,510
Contributed surplus		80,490	80,490
Proposed interim dividend	5	11,751	23,501
		643,607	650,007

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Condensed Consolidated Cash Flow Statement

	Six months ended 31 December	
	2001 <i>(unaudited)</i> HK\$'000	2000 <i>(unaudited)</i> HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	212,314	(21,752)
Net cash outflow from returns on investments and servicing of finance	(100,748)	(22,084)
Taxes paid	(9,012)	—
Net cash outflow from investing activities	(110,208)	(5,963)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES	(7,654)	(49,799)
Net cash inflow from financing activities	79,639	3,505
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	71,985	(46,294)
Cash and cash equivalents at beginning of period	146,307	(57,943)
Effect of foreign exchange rate changes, net	184	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	218,476	(104,237)
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	233,685	42,966
Bank overdrafts	(15,209)	(147,203)
	218,476	(104,237)

Notes to Condensed Consolidated Financial Statements

1. Significant Accounting Policies

Basis of preparation

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and basis of presentation used in the preparation of these condensed interim financial statements are the same as those used in the Group’s audited financial statements for the year ended 30 June 2001, except the following new/revised SSAPs and related Interpretations which are effective and have been adopted for the first time in the preparation of the current period’s condensed consolidated financial statements:

SSAP 9 (Revised):	“Events after the balance sheet date”
SSAP 18 (Revised):	“Revenue”
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”
Interpretation 12:	“Business combinations - subsequent adjustment of fair values and goodwill initially reported”
Interpretation 13:	“Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these condensed financial statements of adopting these SSAPs and Interpretations are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet.

To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 30 June 2001 of HK\$23,501,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. Consequently, dividends of HK\$125,088,000 from a subsidiary for the year ended 30 June 2001 that are declared and approved by the subsidiary after 30 June 2001 are no longer recognised in the Company's financial statements for the year ended 30 June 2001, the net effect to the Group is a reclassification of dividend payable to minority shareholders of HK\$60,105,000 from other payables to minority interests. Accordingly, the comparative amounts in the consolidated balance sheet as at 30 June 2001 have been restated by prior year adjustments relating to dividends. The results of these have been to reduce the Group's current liabilities by HK\$83,606,000, and increase the reserves and minority interests previously reported as at 30 June 2001 by HK\$23,501,000 and HK\$60,105,000 respectively.

The effect of this change in accounting policy as at 31 December 2001 is that the current period's proposed interim dividend of 1.0 HK cent was included in the proposed interim dividend reserve account within the capital and reserves section of the balance sheet at that date.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these interim financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. Negative goodwill is recognised in the profit and loss account depending on the circumstances from which it arose. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous year which remains eliminated against reserves.

In prior years, goodwill arising on acquisitions was eliminated against reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 July 2001 to remain eliminated against reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

SSAP 31 prescribes the recognition and measurement criteria for impairment of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior years' financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current period's interim financial statements:

SSAP 17 (Revised): "Property, plant and equipment"

SSAP 21 (Revised): "Accounting for interests in joint ventures"

These revisions have had no significant impact on the preparation of these interim condensed financial statements.

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2. Segment Information

The Group engages in the businesses of manufacture and sale of electronic components, including double-sided and multi-layered printed circuit board (“PCB”), liquid crystal displays (“LCD”), magnetic products (“Magnetics”) and provision of information technology services and products (“IT”).

The business and geographical segments of the operations of the Group are as follows:

Business Segments:

	Six months ended 31 December											
	2001						2000					
	PCB HK\$'000	LCD HK\$'000	Magnetics HK\$'000	IT elimination HK\$'000	Corporate/ others/ Group HK\$'000	Group HK\$'000	PCB HK\$'000	LCD HK\$'000	Magnetics HK\$'000	IT elimination HK\$'000	Corporate/ others/ Group HK\$'000	Group HK\$'000
SEGMENT REVENUE												
External sales	990,549	114,205	45,071	144	-	1,149,969	N/A	101,985	48,225	—	—	150,210
Inter-segment sales/ elimination	—	—	—	1,087	(1,087)	—	N/A	—	—	500	(500)	—
Total revenue	990,549	114,205	45,071	1,231	(1,087)	1,149,969	N/A	101,985	48,225	500	(500)	150,210
SEGMENT RESULTS	113,206	(5,446)	(1,546)	(5,118)	—	101,096	N/A	(9,484)	6,303	(5,189)	—	(8,370)
Interest income	498	31	18	—	57	604	N/A	36	18	—	2,547	2,601
Finance costs												
– Intercompany	—	(1,048)	(611)	—	1,659	—	N/A	—	—	—	—	—
– Outsiders	(2,871)	(2,668)	(87)	—	(10,435)	(16,061)	N/A	(3,410)	(109)	—	(2,038)	(5,557)
Total finance costs	(2,871)	(3,716)	(698)	—	(8,776)	(16,061)	N/A	(3,410)	(109)	—	(2,038)	(5,557)
Loss on deemed disposal of interest in a subsidiary	—	—	—	—	(2,465)	(2,465)	N/A	—	—	—	—	—
Unallocated corporate expenses	—	—	—	—	(8,188)	(8,188)	N/A	—	—	—	(5,032)	(5,032)
Share of results of – associates	—	—	—	—	—	—	112,897	—	—	—	(309)	112,588
– a jointly-controlled entity	—	—	—	(431)	—	(431)	N/A	—	—	—	—	—
Profit/(loss) before taxation	110,833	(9,131)	(2,226)	(5,549)	(19,372)	74,555	112,897	(12,858)	6,212	(5,189)	(4,832)	96,230

Geographical Segments:

	Six months ended 31 December	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Segment revenue, customer based		
Asia	695,071	118,185
Europe	257,482	19,489
America	185,769	12,536
Others	11,647	—
	1,149,969	150,210

Contribution to profit from operations by geographical segments has not been presented as the contribution to profit from operations in each geographical segment is substantially in line with the overall Group's ratio of profit from operations to turnover.

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3. Profit Before Tax

Profit before tax is arrived at after charging/(crediting):

	Six months ended 31 December	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Depreciation of fixed assets	143,859	12,756
Amortisation of intangible assets	384	—
Loss on disposal of fixed assets	774	170
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	19,119	5,557
Less: amount capitalised	(3,058)	—
Net interest expense	16,061	5,557
Exchange gains, net	(994)	(887)
Interest income	(604)	(2,601)
Provision for inventories/(amounts written back) , net	(15,879)	3,105
Provision for doubtful debts/(amounts written back), net	(10,373)	5,402
General provisions written back	(15,275)	—
Loss on deemed disposal of interest in a subsidiary	2,465	—
Severance payment for PCB Business	12,378	—
Restructuring expenses of LCD Business	12,568	—

4. Tax

	Six months ended	
	31 December	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Current year's provision for tax:		
The People's Republic of China		
Mainland	8,087	–
Overprovision in prior year:		
Hong Kong	(830)	–
Deferred tax credit	(1,069)	–
	6,188	–
Share of tax of associates	–	10,733
Tax charge for the period	6,188	10,733

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the period. In the prior period, no provision for Hong Kong profits tax was made by the Company and its subsidiaries because there were no assessable profits arising in Hong Kong, or there were accumulated losses available to offset assessable profits for that period. Taxes on profits assessable in other jurisdictions have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates.

The share of tax of the associates in the prior period represents the Group's attributable share of profits tax and deferred tax of the associates. Hong Kong profits tax for the associates was provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in other jurisdictions have been calculated at the rate of tax prevailing in the jurisdictions in which the associates operate.

5. Dividends

	Six months ended 31 December	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Proposed interim dividend	11,751	29,284
Adjustments to dividend payable in prior years as a result of options exercised and shares repurchased	—	87
	11,751	29,371

During the period, the Group adopted the revised SSAP 9 “Events after the balance sheet date” (Refer to Note 1).

To comply with the revised SSAP 9, a prior year adjustment has been made, reclassifying the proposed final dividend for the year ended 30 June 2001, of HK\$23,501,000, which was recognised as a liability in the prior year, to the proposed final dividends account within the capital and reserves section of the balance sheet.

The Board had resolved to pay an interim dividend of 1.0 HK cent (2000: 3.0 HK cents) per share in respect of the six months ended 31 December 2001 to shareholders whose names appear on the Registers of Members on 19 March 2002. Dividend warrants will be sent to shareholders on or about 22 March 2002.

6. Earnings Per Share

The calculation of basic earnings per share is based on the consolidated net profit attributable to shareholders for the period of HK\$16,372,000 (2000: HK\$85,497,000) and the weighted average of 1,175,062,408 (2000 – restated: 1,170,456,170) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the adjusted consolidated net profit attributable to shareholders for the period of HK\$16,290,000 (2000: HK\$82,272,000) and the weighted average of 1,175,062,408 (2000 – restated: 1,171,473,103) ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

The adjusted consolidated net profit attributable to shareholders is calculated based on the consolidated net profit attributable to shareholders for the period of HK\$16,372,000 (2000: HK\$85,497,000) less the dilution in the shares of results of a subsidiary by HK\$82,000 (2000: HK\$3,225,000) arising from the deemed exercise of all of the outstanding employee share options of a subsidiary.

There was no adjustment to number of shares deemed to be issued in the calculation of the weighted average number of shares in the period as no share option was outstanding at the end of the period. In the previous period, the weighted average number of shares used in the calculation of diluted earnings per share was based on the weighted average of 1,170,456,170 (restated) shares in issue during the period plus the weighted average of 1,016,933 (restated) shares deemed to be issued at no consideration as if all of the outstanding share options had been exercised.

The comparative amounts of the basic and diluted earnings per share have been adjusted for the effect of a one-for-five bonus issue of ordinary shares in the Company pursuant to an ordinary resolution passed at the special general meeting held on 19 March 2001.

7. Fixed Assets

For the six months ended 31 December 2001, the Group had acquired fixed assets amounting to approximately HK\$111,421,000 (six months ended 31 December 2000: HK\$6,783,000) and had disposed of fixed assets amounting to approximately HK\$9,875,000 (six months ended 31 December 2000: HK\$990,000).

8. Trade and Bills Receivables

The Group operates a credit policy and allows an average credit period of 30-90 days to its trade customers who satisfy the credit evaluation. The aging analysis of trade and bills receivables is as follows:

	31 December 2001 HK\$'000	30 June 2001 HK\$'000
Current	409,027	412,665
Over 30 days	84,784	58,739
Over 60 days	37,200	23,814
Over 90 days	27,602	37,908
Total	558,613	533,126

9. Trade and Bills Payables

The aging of trade and bills payables is as follows:

	31 December 2001 HK\$'000	30 June 2001 HK\$'000
Current	160,837	184,803
Over 30 days	56,396	67,181
Over 60 days	42,012	43,954
Over 90 days	40,840	62,905
Total	300,085	358,843

10. Issued Capital

	31 December 2001 HK\$'000	30 June 2001 HK\$'000
At the beginning of the period/year	117,506	97,176
Shares issued on exercise of share options	—	920
Shares repurchased and cancelled during the period/year	—	(174)
Bonus issue of shares	—	19,584
At the end of the period/year	117,506	117,506

No options to subscribe for shares in the Company have been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme for the six months ended 31 December 2001. During the year ended 30 June 2001, pursuant to the exercise of share options granted to certain employees and directors, the Company allotted and issued 9,200,000 new ordinary shares of HK\$0.10 each at a price of HK\$0.838 each for a total cash consideration, net of expenses, of HK\$7,545,000.

There were no repurchases of shares during the period. During the year ended 30 June 2001, 1,745,000 shares were repurchased and cancelled.

There were no bonus issues for the six months ended 31 December 2001. During the year ended 30 June 2001, pursuant to an ordinary resolution passed at the special general meeting held on 19 March 2001, the Company issued 195,843,734 bonus shares of HK\$0.10 each to the shareholders of the Company on the basis of 1 bonus share for every 5 shares held by the shareholders whose names appeared on the Registers of Members of the Company on 19 March 2001. The bonus shares were issued as fully paid by capitalising the sum of approximately HK\$19,584,000 standing to the credit of the share premium account of the Company.

11. Reserves

	Share premium account <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Statutory and other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2001	36,444	(70,796)	26,178	8,562	428,122	428,510
Currency translation differences	—	(869)	—	—	—	(869)
Net profit attributable to shareholders	—	—	—	—	16,372	16,372
Proposed interim dividend	—	—	—	—	(11,751)	(11,751)
Goodwill written back on deemed disposal of interest in a subsidiary	—	—	—	—	1,598	1,598
At 31 December 2001	36,444	(71,665)	26,178	8,562	434,341	433,860

12. Commitments

(a) Capital commitments

	31 December 2001 HK\$'000	30 June 2001 HK\$'000
Contracted for	51,358	55,725
Authorised, but not contracted for	18,939	5,136
	70,297	60,861

(b) Commitments under operating leases

	31 December 2001 HK\$'000	30 June 2001 HK\$'000
Future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year	7,497	9,235
Later than one year and not later than five years	5,619	6,119
	13,116	15,354