

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2002

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These unaudited condensed consolidated financial statements for the Period of the Group have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 2.125 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The comparative unaudited condensed combined interim financial statements have been prepared using the merger basis of accounting in accordance with SSAP 2.127 "Accounting for group reconstructions" as a result of the Group reorganisation completed on 2 September 2001. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial period presented, rather than from the date of acquisition of the subsidiaries. Accordingly, the comparative unaudited condensed combined results of the Group for the six months ended 30 June 2001 include the results of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation or establishment, where this is a shorter period.

The accounting policies and basis of presentation adopted in these unaudited condensed consolidated financial statements are consistent with those used in the Group's consolidated financial statements for the year ended 31 December 2001, except for the adoption of the following revised and new SSAPs which are effective for the first time for the Period:

SSAP 2.101 (Revised):	Presentation of financial statements
SSAP 2.111 (Revised):	Foreign currency translation
SSAP 2.115 (Revised):	Cash flow statements
SSAP 2.125 (Revised):	Interim financial reporting
SSAP 2.133:	Discontinuing operations
SSAP 2.134:	Employee benefits

SSAP 2.101 (Revised) prescribes the basis of presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the Period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 2.111 (Revised) prescribes the basis for translation of foreign currency transactions and financial statements. This revised SSAP has had no major impact on the condensed consolidated financial statements.

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

SSAP 2.115 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the Period into operating, investing and financing activities. The condensed consolidated cash flow statement for the Period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 2.125 (Revised) prescribes the presentation and disclosures following changes in SSAP 2.101 (Revised) and SSAP 2.115 (Revised). The condensed consolidated financial statements for the Period and the comparative figures have been presented in accordance with these revised SSAPs.

SSAP 2.133 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on the condensed consolidated financial statements.

SSAP 2.134 prescribes the accounting treatment and disclosure for employee benefits. This SSAP has had no major impact on the condensed consolidated financial statements.

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Period. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by geographical segment; and
- (ii) on a secondary segment reporting basis, by business segment.

The principal activity of the Group is the manufacture and sale of electronic products, which is managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments. The Group's geographical segments are as follows:

- (a) Hong Kong;
- (b) India;
- (c) Elsewhere in Asia; and
- (d) Africa, Western Europe, the Middle East, North and South America, and Russia.

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3. SEGMENT INFORMATION *(continued)*

In determining the Group's geographical segments, revenues and profits are attributed to the segments based on the location of the customers.

(a) Geographical segments based on the location of customers

The following table presents revenue and profit for the Group's geographical segments.

	Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Consolidated	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	2,331	3,779	83,057	55,103	99,258	60,445	100,526	91,525	285,172	210,852
Segment results	403	599	12,540	7,137	15,549	8,099	17,619	14,020	46,111	29,855
Unallocated revenue									669	191
Unallocated expenses									(2,848)	(24)
Profit from operating activities									43,932	30,022
Finance costs									(508)	(301)
Profit before tax									43,424	29,721
Tax									(6,996)	(4,773)
Net profit from ordinary activities attributable to shareholders									36,428	24,948

(b) Business segments

All of the Group's revenue and results are derived from the manufacture and sale of electronic products.

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4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Cost of inventories sold	224,055	167,275
Depreciation	3,359	1,469
Deficit on revaluation of leasehold land and buildings	-	234

5. FINANCE COSTS

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest on bank loans:		
Wholly repayable within five years	424	297
Repayable after five years	65	160
Interest on finance leases	19	-
	508	457
Less: Interest capitalised	-	(156)
	508	301

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6. TAX

	For the six months ended 30 June	
	2002 (Unaudited) <i>HK\$'000</i>	2001 (Unaudited) <i>HK\$'000</i>
Current period provision:		
Hong Kong	93	27
Macau	6,490	4,724
Elsewhere in the People's Republic of China (the "PRC")	413	22
	6,996	4,773
Tax charge for the period	6,996	4,773

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the applicable 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 had been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2001: Nil).

7. DIVIDEND

	For the six months ended 30 June	
	2002 (Unaudited) <i>HK\$'000</i>	2001 (Unaudited) <i>HK\$'000</i>
Interim dividend	-	6,000
	-	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 interim dividend in respect of the Period.

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8. EARNINGS PER SHARE

The calculation of basic earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of HK\$36,428,000 (2001: HK\$24,948,000) and the weighted average number of 1,440,000,000 (2001: 1,080,000,000 (restated)) ordinary shares in issue during the Period, as adjusted to reflect the bonus issue during the Period, with two bonus ordinary shares for every one ordinary share of HK\$0.01 each in the issued share capital of the Company held by the shareholders whose names appear on the register of members of the Company on 8 May 2002.

The calculation of diluted earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of HK\$36,428,000 and the weighted average number of 1,444,093,000 ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 1,440,000,000 ordinary shares in issue during the Period, as used in the basic earnings per share calculation and the weighted average of 4,093,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the Period.

Diluted earnings per share for the six months ended 30 June 2001 has not been calculated as no diluting events existed during that period.

9. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 90 days to established customers.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
1 – 30 days	37,181	35,712
31 – 60 days	16,004	15,106
61 – 90 days	1,812	996
	54,997	51,814

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10. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 60 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
1 – 30 days	39,033	30,901
31 – 60 days	22,386	16,027
	61,419	46,928

11. SHARE CAPITAL

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised:		
4,000,000,000 (31 December 2001: 2,000,000,000) ordinary shares of HK\$0.01 each	40,000	20,000
Issued and fully paid:		
1,440,004,800 (31 December 2001: 480,000,000) ordinary shares of HK\$0.01 each	14,400	4,800

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11. SHARE CAPITAL *(continued)*

The following is a summary of the movements in the issued share capital of the Company during the Period:

	Number of shares issued <i>'000</i>	Share capital <i>HK\$'000</i>
Share capital as at 1 January 2002 (Audited)	480,000	4,800
Bonus issue of shares	960,000	9,600
Exercise of warrants	5	–
Share capital as at 30 June 2002 (Unaudited)	1,440,005	14,400

12. RELATED PARTY TRANSACTIONS

	For the six months ended 30 June	
	2002 (Unaudited) <i>HK\$'000</i>	2001 (Unaudited) <i>HK\$'000</i>
Minimum lease payments under operating leases on leasehold land and buildings	–	164

For the six months ended 30 June 2001, the Group paid operating lease rentals on leasehold land and buildings 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 value of the properties. These transactions were discontinued on 1 April 2001.

13. CONTINGENT LIABILITIES

At 30 June 2002, the Company had provided corporate guarantees to banks for banking facilities provided to a subsidiary. These banking facilities had been utilised to the extent of approximately HK\$3,835,000 (31 December 2001: HK\$3,992,000) as at 30 June 2002.

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14. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings range from 1 to 3 years.

At 30 June 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within one year	112	260

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14 above, the Group had capital commitments as at 30 June 2002 as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Leasehold land and buildings, contracted for	2,131	697
Plant and machinery, contracted for	3,236	2,801
	5,367	3,498

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the Period's presentation.