

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

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 electronic manufacturing service (“EMS”) customers (previously known as original equipment manufacturer (“OEM”) customers), including micro-computers, telecommunication equipment and original product development and marketing (“ODM”) customers, including broadband communication products, internet appliances and wireless communication, networking equipment and other electronic products.

2. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and 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”).

3. PRINCIPAL ACCOUNTING POLICIES / ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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, 2001, 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 (“SSAP”) issued by the Hong Kong Society of Accountants as follows:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements

Presentation of financial statements

Under SSAP 1 (Revised) “Presentation of Financial Statements”, the Group has chosen to present a comprehensive equity reconciliation as a primary financial statement, which disclose all movements in equity.

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**3. PRINCIPAL ACCOUNTING POLICIES / ADOPTION OF STATEMENTS
OF STANDARD ACCOUNTING PRACTICE – Continued**

Foreign currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries and associates at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s subsidiaries and associates are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s translation reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiaries and associates are disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings — operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude bank overdraft that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement in the comparative amounts shown in the cash flow statement.

The adoption of the above standards has only resulted in change on the format of presentation of the cash flow statement and the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required other than the restatement of the amount of cash and cash equivalent as at 30th June, 2001 disclosed in the cash flow statement.

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4. SEGMENT INFORMATION

Segment information for the six months ended 30th June, 2002 and 2001 is as follows:

Business segments

	For the six months ended 30th June, 2002				Consolidated HK\$'000
	EMS division HK\$'000	ODM division HK\$'000	Other divisions* HK\$'000	Eliminations HK\$'000	
REVENUE					
External sales	794,263	6,822	15,749	—	816,834
Inter-segment sales	15,148	—	3,805	(18,953)	—
Total revenue	<u>809,411</u>	<u>6,822</u>	<u>19,554</u>	<u>(18,953)</u>	<u>816,834</u>
SEGMENT RESULT	<u>36,612</u>	<u>(14,843)</u>	<u>(9,495)</u>	<u>4,794</u>	<u>17,068</u>
Unallocated revenue					<u>19,886</u>
Profit from operations					<u><u>36,954</u></u>

	For the six months ended 30th June, 2001				Consolidated HK\$'000
	EMS division HK\$'000	ODM division HK\$'000	Other divisions* HK\$'000	Eliminations HK\$'000	
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>—</u>	<u>24,278</u>	<u>(14,363)</u>	<u>1,293,133</u>
SEGMENT RESULT	<u>27,443</u>	<u>—</u>	<u>(14,769)</u>	<u>2,356</u>	<u>15,030</u>
Unallocated corporate expenses					<u>(8,338)</u>
Unallocated revenue					<u>68,897</u>
Profit from operations					<u><u>75,589</u></u>

* Other divisions included properties investment and sales of goods other than EMS and ODM products.

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5. TURNOVER

Turnover represents the aggregate of gross invoiced sales less returns and discounts.

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

	Six months ended 30th June,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
North America	315,263	483,563
Asia other than Hong Kong	145,134	389,518
Europe	51,998	68,017
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	512,395	941,098
Hong Kong	304,439	352,035
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	816,834	1,293,133
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Contribution to profit by geographical market has not been presented as the contribution to profit from each market is closely proportional to turnover attributable to that market.

6. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Loss on disposal of investment properties	386	—
Loss on disposal of property, plant and equipment	619	3
Deficit on revaluation of investment properties	—	1,060
Allowance for obsolete inventories	—	15,916
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7. FINANCE COSTS

	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	5,587	20,953
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8. TAXATION

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Profits tax		
Hong Kong	3,764	2,555
Other jurisdictions	413	1,415
Deferred taxation	(97)	346
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Taxation attributable to the Company and its subsidiaries	4,080	4,316
Share of taxation attributable to associates	—	417
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	4,080	4,733
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Hong Kong Profits Tax has been provided for at 16% (2001: 16%) on the estimated assessable profits for the period of the relevant members of the Group in Hong Kong. Taxation arising in other jurisdictions has been provided for in accordance with the rates prevailing in the respective jurisdictions.

9. DIVIDEND

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Proposed interim dividend	4,669	14,018
Proposed special interim dividend	933,844	—
Underprovision in prior periods	—	27
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Total dividend provided	938,513	14,045
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The directors have resolved to pay an interim dividend of HK\$0.01 per share (2001: HK\$0.03). In addition, in view of the substantial amount of surplus cash held by the Group, which is in excess of the Group's immediate operating and investment needs, the Directors have also resolved to pay a special interim dividend of HK\$2.00 per share (2001: Nil). The afore-mentioned interim dividend and special interim dividend will be paid on Thursday, 31st October, 2002 to the shareholders on the Register of Members on Friday, 25th October, 2002.

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10. 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\$27,131,000 (2001: HK\$51,057,000) and the following data:

	Six months ended 30th June,	
	2002	2001
Weighted average number of ordinary shares for the purposes of basic earnings per share	466,921,794	466,970,180
Effect of dilutive potential ordinary shares:		
Options	—	1,481,388
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Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>466,921,794</u>	<u>468,451,568</u>

During the six months ended 30th June, 2002, there was no share options outstanding.

11. INVESTMENT PROPERTIES

HK\$'000

At valuation	
At 1st January, 2002	22,620
Disposals	(4,880)
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At 30th June, 2002	<u>17,740</u>

The investment properties are situated in Hong Kong and are held under medium-term leases.

At 30th June, 2002, the directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

12. PROPERTY, PLANT AND EQUIPMENT

During the period/year, the Group spent approximately HK\$30,062,000 (Year ended 31/12/2001: HK\$20,413,000) on additions to property, plant and equipment.

13. AMOUNT DUE (TO) FROM A RELATED COMPANY

The amount is due (to) from Eastern Pacific Circuits (HK) Limited (formerly known as "Wong's Circuits (HK) Limited") in which Mr. Wong Chung Ah, Johnny is a director. It is unsecured, interest free and has no fixed terms of repayment.

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14. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	At 30/6/2002	At 31/12/2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
0 - 60 days	273,305	207,708
61 - 90 days	4,758	4,249
Over 90 days	1,007	1,039
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	279,070	212,996
Other receivables	61,243	73,534
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	340,313	286,530
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15. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	At 30/6/2002	At 31/12/2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
0 - 60 days	336,878	200,134
61 - 90 days	614	10,494
Over 90 days	65,175	54,349
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	402,667	264,977
Other payables	33,280	147,208
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	435,947	412,185
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16. PLEDGE OF ASSETS

At 30th June, 2002, certain of the Group's land and buildings, plant, machinery and equipment in Hong Kong and interests in an associate with an aggregate net book value of approximately HK\$154 million (At 31/12/2001: approximately HK\$156 million) and HK\$246 million (At 31/12/2001: approximately HK\$246 million) respectively were pledged to secure banking facilities granted to the Group and an associate to the extent of approximately HK\$596 million (At 31/12/2001: approximately HK\$628 million) and HK\$31 million (At 31/12/2001: approximately HK\$41 million) respectively.

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17. RELATED PARTY TRANSACTIONS

- (a) The Group pledged its investment in an associate with a net book value of approximately HK\$246 million (At 31/12/2001: approximately HK\$246 million) in favour of a bank to secure certain banking facilities granted to an associate to the extent of approximately HK\$31 million (At 31/12/2001: approximately HK\$41 million).
- (b) During the period, the Group purchased goods from its related companies totalling HK\$10,836,000 (1/1/2001-30/6/2001: HK\$12,936,000). The transactions were carried out at estimated market prices determined by the Company's directors.