



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2002

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with 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 preparation adopted are the same as those used in the Group's audited financial statements for the year ended 31 December 2001, except that the Group has changed certain of its accounting policies following the adoption of the following new/revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commenced on or after 1 January 2002:

SSAP 1 (Revised):	Presentation of financial statements
SSAP 11 (Revised):	Foreign currency translation
SSAP 15 (Revised):	Cash flow statements
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the 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 current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of subsidiaries and jointly controlled entities operating in Mainland China are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. This SSAP has not had any material impact on these financial statements.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

SSAP 15 (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 current interim period and the comparative figures have been presented with the revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has not had any material impact on these financial statements.





NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2. SEGMENT INFORMATION

(a) Business segments

The following tables present revenue and profit/(loss) information for the Group's business segments.

	Telephone accessories and power cords		Adaptors and electronic products		Printed circuit boards		High precision metal components		Freight forwarding and delivery services		Utility recharges, corporate and others		Eliminations		Total		
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:																	
Sales to external customers	87,515	96,896	21,515	44,682	37,955	74,706	18,784	20,326	11,645	13,769	11,216	10,656	-	-	188,670	261,035	
Intersegment sales	5,294	6,553	-	-	-	-	-	-	1,780	-	32,428	35,202	(39,497)	(41,755)	-	-	
Other revenue	1,294	1,674	73	133	150	285	133	554	23	31	802	1,304	-	-	2,505	4,161	
Total	94,103	105,323	21,588	44,815	38,145	75,001	18,917	20,880	13,448	13,800	44,471	47,162	(39,497)	(41,755)	191,175	265,226	
Segment results	4,043	1,520	(1,574)	289	8,006	(1,866)	(537)	787	(668)	(1,235)	(2,763)	(3,552)	-	-	6,507	(4,077)	
Interest and dividend income															3,725	1,195	
Unallocated expenses															-	(1,022)	
Profit/(loss) from operating activities																10,232	(3,904)
Finance costs																(1,120)	(2,174)
Share of profits and losses of jointly controlled entities					(1,998)	-					8,175	950			6,177	950	
Profit/(loss) before tax															15,289	(5,128)	
Tax															(161)	(63)	
Minority interests															(418)	1,066	
Net profit/(loss) from ordinary activities attributable to shareholders																14,710	(4,125)



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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2. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following tables present revenue and profit/(loss) information for the Group's geographical segments.

	The Peoples Republic of China ("PRC"):											
	Hong Kong, SAR		Elsewhere		Australia		Europe		Others		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	101,802	129,697	43,239	43,800	8,434	20,897	21,072	34,339	14,123	32,312	188,670	261,035
Other revenue	472	1,081	2,033	3,100	-	10	-	-	-	-	2,505	4,191
	<u>102,274</u>	<u>130,778</u>	<u>45,272</u>	<u>46,900</u>	<u>8,434</u>	<u>20,897</u>	<u>21,072</u>	<u>34,339</u>	<u>14,123</u>	<u>32,312</u>	<u>191,175</u>	<u>265,226</u>
Segment results	4,019	(324)	1,214	(5,033)	24	276	872	410	378	594	6,507	(4,077)



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3. OTHER REVENUE AND GAINS

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other revenue		
Interest income	720	1,195
Proceeds from scrap sales	986	1,916
Moulding and tooling income	–	398
Dividend income from a long term investment	3,005	–
Sundry income	969	1,877
	<u>5,680</u>	<u>5,386</u>
Gains		
Gain on disposal of properties	550	–
	<u>550</u>	<u>–</u>
Other revenue and gains	<u>6,230</u>	<u>5,386</u>

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	14,251	23,133
Amortisation of other intangible assets	1,280	1,268
Amortisation of goodwill	–	1,362
Negative goodwill recognised	–	(340)
Write-back of impairment provision for a long term investment	(4,500)	–
	<u>(4,500)</u>	<u>–</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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5. FINANCE COSTS

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest expenses on:		
Bank loans and overdrafts wholly repayable within five years	1,120	2,162
Finance leases	–	12
	<u>1,120</u>	<u>2,174</u>

6. TAX

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Group:		
Hong Kong:		
Provision for the period	–	63
Underprovision in prior years	98	–
Share of tax attributable to a jointly controlled entity	<u>63</u>	<u>–</u>
Tax charge for the period	<u>161</u>	<u>63</u>

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.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2002 is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$14,710,000 (six months ended 30 June 2001: net loss of HK\$4,125,000) and the 802,673,280 (six months ended 30 June 2001: weighted average of 798,926,871) ordinary shares in issue during the period.

Diluted earnings per share is not presented for the six months ended 30 June 2002 as there were no dilutive potential ordinary shares outstanding during the period. As the exercise price of the Company's share options was higher than the average market price of the Company's shares during the six months ended 30 June 2001, there was no dilution effect on the basic loss per share for the prior period.

8. DIVIDEND

At a meeting of the Board held on 25 September 2002, the directors have resolved not to pay an interim dividend to shareholders for the six months ended 30 June 2002 (six months ended 30 June 2001: Nil).

9. LONG TERM INVESTMENT

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Unlisted equity investment, at cost	35,841	35,841
Less: Provision for impairment in value	(23,884)	(28,384)
	<u>11,957</u>	<u>7,457</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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10. TRADE AND BILLS RECEIVABLES

An aged analysis of trade and bills receivables is as follows:

	30 June 2002		31 December 2001	
	Balance (Unaudited) HK\$'000	Percentage (Unaudited)	Balance (Audited) HK\$'000	Percentage (Audited)
0-90 days	81,456	77	74,170	77
91-180 days	17,364	17	18,547	20
181-365 days	5,631	5	2,724	3
1-2 years	917	1	425	-
Over 2 years	177	-	179	-
	<u>105,545</u>	<u>100</u>	<u>96,045</u>	<u>100</u>

Trading terms with customers are principally on credit, except for new customers, when cash on delivery is normally required. Invoices are normally payable within 60 to 90 days of issuance, except for certain well established customers, when the terms are extended to 120 days. Each customer has a designated credit limit.

11. TRADE AND BILLS PAYABLES

The aged analysis of trade and bills payables is as follows:

	30 June 2002		31 December 2001	
	Balance (Unaudited) HK\$'000	Percentage (Unaudited)	Balance (Audited) HK\$'000	Percentage (Audited)
0-90 days	29,401	78	28,049	80
91-180 days	5,450	14	5,532	16
181-365 days	1,766	4	753	2
1-2 years	518	2	663	2
Over 2 years	504	2	100	-
	<u>37,639</u>	<u>100</u>	<u>35,097</u>	<u>100</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

12. SHARE CAPITAL

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.25 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
802,673,280 ordinary shares of HK\$0.25 each	<u>200,668</u>	<u>200,668</u>

Share option scheme

On 30 June 1998, a share option scheme (the "Scheme") was adopted by the shareholders of the Company. Under the Scheme, the directors might, at their discretion, invite employees (including executive directors) of the Company or any of its subsidiaries to take up options to subscribe for the shares of the Company pursuant to the terms and conditions stipulated in the Scheme. On 7 June 2002, the Scheme was terminated by the shareholders of the Company and a new share option scheme (the "New Scheme") which complies with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited was adopted.

Under the New Scheme, the directors may, at their discretion, offer directors (including executive and non-executive), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, options to subscribe for shares of the Company subject to the terms and conditions stipulated in the New Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the New Scheme is 80,267,328 which represents 10% of the issued share capital of the Company on the date of adoption of the New Scheme. The New Scheme will remain in force until 6 June 2012.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

12. SHARE CAPITAL (continued)

Share option scheme (continued)

No share option under the Scheme was outstanding as at 1 January 2002 and no share option was granted by virtue of the Scheme and/or the New Scheme during the period under review. Accordingly, there was no share option outstanding as at 30 June 2002.

13. RESERVES

	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Reserve funds – note (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits/ accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2002	244,989	2,084	53,690	714	(3)	(2,599)	298,875
Net profit for the period	-	-	-	-	-	14,710	14,710
At 30 June 2002	<u>244,989</u>	<u>2,084</u>	<u>53,690</u>	<u>714</u>	<u>(3)</u>	<u>12,111</u>	<u>313,585</u>

Note: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of a jointly controlled entity of the Group established in Mainland China has been transferred to reserve funds which are restricted as to their use.



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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14. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	30 June	31 December
	2002	2001
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	837	1,315
In the second to fifth years, inclusive	180	446
	<u>1,017</u>	<u>1,761</u>

(b) As lessee

The Group leases certain of its office and warehouse properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	30 June	31 December
	2002	2001
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within one year	4,478	5,445
In the second to fifth years, inclusive	497	1,735
	<u>4,975</u>	<u>7,180</u>



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

15. COMMITMENTS

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following commitments at the balance sheet date:

(a) Capital commitments:

	Group	
	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Contracted, but not provided for	—	715

(b) Share of capital commitments of a jointly controlled entity is as follows:

	Group	
	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Contracted, but not provided for	2,736	547
Authorised, but not contracted for	11,055	11,366



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

16. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following material contingent liabilities:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Discounted bills with recourse	1,732	6,460
Guarantees for banking facilities granted to a jointly controlled entity	<u>125,688</u>	<u>98,300</u>
	<u>127,420</u>	<u>104,760</u>

17. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following significant related party transactions with its jointly controlled entity, Shougang Concord Grand (Group) Limited ("Shougang Grand"), the controlling shareholder of the Company, Shougang Holding (Hong Kong) Limited ("Shougang Holding"), the holding company of Shougang Grand and Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding.

		For the six months ended 30 June	
		2002 (Unaudited) Notes HK\$'000	2001 (Unaudited) HK\$'000
Management fees paid to the controlling shareholders	(i)	600	600
Management fees paid to a related company	(ii)	240	240
Rentals paid to related companies	(iii)	450	564
Sales to a jointly controlled entity	(iv)	6,095	5,667
Utility expenses charged to a jointly controlled entity	(v)	6,267	5,352
Purchases from a jointly controlled entity	(vi)	<u>12,802</u>	<u>11,121</u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****30 June 2002****17. RELATED PARTY TRANSACTIONS (continued)***Notes:*

- (i) Management fees of HK\$480,000 and HK\$120,000 for the period were paid to Shougang Holding and Shougang Grand, respectively, for the provision of management services to the Group at rates determined between the parties.
- (ii) Management fees of HK\$240,000 for the period were paid to Shougang International for the provision of management services to the Group at rates determined between both parties.
- (iii) Rentals were determined by reference to the prevailing market rentals.
- (iv) Sales to a jointly controlled entity were made according to the published prices and conditions offered to the major customers of the Group.
- (v) Utility expenses charged to a jointly controlled entity related to the recharge of certain utility costs incurred by it. The recharge was based on the actual costs incurred.
- (vi) Purchases from a jointly controlled entity were made according to the published prices and conditions offered by similar suppliers to the Group.

18. PLEDGE OF ASSETS

At 30 June 2002, the Group's leasehold land and buildings and investment properties with an aggregate carrying value of HK\$16,800,000 (31 December 2001: HK\$17,000,000) and the Group's inventories with a carrying amount of HK\$34,877,000 (31 December 2001: HK\$30,118,000) were pledged to banks to secure banking facilities granted to the Group.

19. POST BALANCE SHEET EVENTS

- (a) On 30 July 2002, the Group entered into a subscription agreement with a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited (the "First Subscriber") and a wholly-owned subsidiary of Cheung Kong (Holdings) Limited (the "Second Subscriber") pursuant to which a wholly-owned subsidiary of the Company has conditionally agreed to issue and the First and Second Subscribers have conditionally agreed to subscribe, in cash, for the 2.5% convertible bonds due in 2004 with an aggregate principal amount of HK\$200 million (the "Convertible Bonds"). The Company intends to use the net proceeds from the issue of the Convertible Bonds to fund an investment opportunity (a memorandum of understanding in respect thereof was entered into between the Group and an independent third party on 30 July 2002), if materialised, and/or any other possible future investment opportunities and acquisitions, with the remaining for general corporate and working capital of the Group.





NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30 June 2002

19. POST BALANCE SHEET EVENTS (continued)

- (a) Based on the initial conversion price of HK\$0.660 per new share, the Convertible Bonds can be converted into a maximum of 303,030,303 new shares, representing approximately 37.8% of the existing issued share capital of the Company or approximately 27.4% of the issued share capital of the Company as enlarged by the full conversion of the Convertible Bonds.

The proposed issue of the Convertible Bonds was approved by the independent shareholders of the Company at an extraordinary general meeting held on 16 September 2002. The subscription agreement was completed on 20 September 2002.

Details of the proposed issue of the Convertible Bonds are set out in the Company's announcement dated 31 July 2002 and the Company's circular to shareholders dated 21 August 2002.

- (b) On 25 September 2002, a wholly-owned subsidiary of the Company entered into a conditional agreement with Shanghai Jinling Holdings Company Limited ("Jinling") for the disposal of 60.2% equity interest (the "Disposal") in Shanghai Printronics Circuit Corporation ("Shanghai Printronics") which is engaged in the business of manufacturing and sale of printed circuit boards in the PRC, for a consideration of approximately HK\$45,200,000 (RMB48,000,000). As at the date of the conditional agreement, Shanghai Printronics was held as to 39.8% by Jinling. Details of the Disposal were set out in the Company's announcement dated 25 September 2002. The Disposal is subject to, amongst other things, the approval of the independent shareholders of the Company at an extraordinary general meeting and the obtaining of the necessary approvals from the relevant authorities in the PRC.

20. COMPARATIVE AMOUNTS

The comparative amount of the transportation expenses totalling HK\$2,100,000 has been reclassified from cost of sales to distribution costs for the 2001 comparative amount to conform with the current year's presentation. In the opinion of the directors, the reclassification provides a better presentation of the Group's expense items.

21. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved and authorised for issue by the Board on 25 September 2002.