

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim financial reporting" ("SSAP 25") 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 accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing 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 25 (revised)	:	Interim financial reporting
– SSAP 33	:	Discontinuing operations
– SSAP 34	:	Employee benefits

The major effects of the adoption of these SSAPs to the accounting policies of the Group are as follows:

(a) SSAP 11 (revised): Foreign currency translation

In prior periods, the financial statements of overseas subsidiaries at the year end are translated into Hong Kong dollars at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the translation of share capital (including long term loans which are as permanent as equity in nature) and opening reserves of these entities are taken directly to exchange reserve. With effect from 1 January 2002, the Group adopted a new accounting policy of translating the income statements of overseas subsidiaries at an average rate for the period, in order to comply with SSAP 11 (revised).

(b) SSAP 15 (revised): Cash flow statements

The presentation and classification of items in the condensed consolidated cash flow statement have been changed due to the adoption of SSAP 15 (revised). As a result, cash flow during the period has been reclassified by operating, investing and financing activities. For the six months ended 30 June 2001, net cash outflow from taxation and interest paid of approximately HK\$51 million have been reclassified as operating cash flow, interest received of approximately HK\$21 million has been reclassified as investing cash flow and dividend paid of approximately HK\$110 million has been reclassified as financing cash flow.

2. TURNOVER

Turnover represents the net invoiced value of goods sold after allowances for returns and trade discounts; and corporate finance and investment income but excludes intra-group transactions.

An analysis of the Group's turnover by principal activity is as follows:

	Six months ended	
	30 June 2002 (Unaudited) <i>HK\$ million</i>	30 June 2001 (Unaudited) <i>HK\$ million</i>
Electronics manufacturing services	1,564	2,359
Magnetic media	565	525
Branded distribution	871	336
Financial services	676	73
	<u>3,676</u>	<u>3,293</u>

3. INCOME STATEMENT BY BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Income statement by business segments:

For the six months ended 30 June 2002:

	Electronics manufacturing services <i>HK\$ million</i>	Magnetic media <i>HK\$ million</i>	Branded distribution <i>HK\$ million</i>	Financial services <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	<u>1,564</u>	<u>565</u>	<u>871</u>	<u>676</u>	<u>3,676</u>
Divisional operating results	<u>13</u>	<u>55</u>	<u>44</u>	<u>28</u>	140
Loss on disposal of property, plant and equipment	(2)	-	-	(2)	(4)
Gain on disposal of long term investments	-	-	-	7	7
Interest income					6
Interest expenses					(19)
Taxation					1
Minority interests					(14)
Profit attributable to shareholders					<u>117</u>

3. INCOME STATEMENT BY BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Income statement by business segments (continued):

For the six months ended 30 June 2001:

	Electronics manufacturing services <i>HK\$ million</i>	Magnetic media <i>HK\$ million</i>	Branded distribution <i>HK\$ million</i>	Financial services <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	<u>2,359</u>	<u>525</u>	<u>336</u>	<u>73</u>	<u>3,293</u>
Divisional operating results	<u>131</u>	<u>86</u>	<u>23</u>	<u>5</u>	245
Loss on disposal of property, plant and equipment	(5)	-	-	-	(5)
Share of results of associates	-	-	(65)	(4)	(69)
Interest income					20
Interest expenses					(44)
Taxation					(1)
Minority interests					<u>(45)</u>
Profit attributable to shareholders					<u><u>101</u></u>

(b) The geographical segments of the Group's turnover is as follows:

	Six months ended	
	30 June 2002 (Unaudited) <i>HK\$ million</i>	30 June 2001 (Unaudited) <i>HK\$ million</i>
North America	563	685
Europe	310	691
Asia	<u>2,803</u>	<u>1,917</u>
	<u><u>3,676</u></u>	<u><u>3,293</u></u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended	
	30 June 2002 (Unaudited) <i>HK\$ million</i>	30 June 2001 (Unaudited) <i>HK\$ million</i>
Depreciation:		
Owned property, plant and equipment	76	83
Operating lease rentals:		
Land and buildings	15	15
Interest on:		
Bank overdrafts and loans wholly repayable within five years	19	44
Auditors' remuneration	3	3
Amortisation of goodwill	5	–
Amortisation of trademarks and patents	15	–
Amortisation of other assets	–	7
Staff costs	110	128
Research and development expenditure	4	7
Loss on disposal of property, plant and equipment	4	5
Gain on disposal of long term investments	(7)	–
Interest income	(6)	(20)
	<u> </u>	<u> </u>

5. TAX

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 provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30 June 2002 (Unaudited) <i>HK\$ million</i>	30 June 2001 (Unaudited) <i>HK\$ million</i>
Current period provision:		
Hong Kong	-	1
Overseas	-	1
Over provision in prior period		
Overseas	(2)	(1)
Deferred tax		
Hong Kong	1	-
	(1)	1
	(1)	1

6. DIVIDENDS

	Six months ended	
	30 June 2002 (Unaudited) <i>HK\$ million</i>	30 June 2001 (Unaudited) <i>HK\$ million</i>
2001 final dividend of HK33 cents (2000: HK20 cents) per share on 400 million shares	132	80
	132	80

The final dividend for 2001 was by way of a distribution in specie of one share of Sansui Electric Co., Ltd. ("SEC"), a company listed on the First Section of the Tokyo Stock Exchange, for every two shares of the Company being held by the shareholder on the register of members on 11 June 2002. The market value at close of business on 7 June 2002 of SEC was 11 Yen per share which equates to HK33 cents per share.

An interim dividend in respect of 2002 of HK9 cents per share on 400 million shares amounting to a total of HK\$36 million was approved by the Board after the balance sheet date, and not recognised as a liability as at 30 June 2002.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2002 together with the comparative figures for 2001 is based on the following data:

	Six months ended	
	30 June 2002 (Unaudited) <i>HK\$ million</i>	30 June 2001 (Unaudited) <i>HK\$ million</i>
Earnings for the purposes of basic earnings per share	<u>117</u>	<u>101</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>400</u>	<u>400</u>

Diluted earnings per share has not been presented as the Company did not have any potential ordinary shares and no diluting events existed during the above two periods.

8. PROPERTY, PLANT AND EQUIPMENT

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
Net book value at beginning of year	1,535	1,622
Foreign currency adjustment	16	(5)
Additions	37	102
Arising on acquisition of subsidiaries	99	15
Disposals of subsidiaries	-	(4)
Disposals	(8)	(35)
Depreciation provided during the period	<u>(76)</u>	<u>(160)</u>
Net book value at balance sheet date	<u>1,603</u>	<u>1,535</u>

9. LONG TERM INVESTMENTS

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
Listed investments, at market value		
Hong Kong	31	12
Outside Hong Kong	5	5
Unlisted investments, at fair value	77	108
	113	125

Included in the unlisted investments were convertible instruments amounting to HK\$9 million (2001: HK\$42 million) which were issued by associates of the Group.

10. TRADEMARKS AND PATENTS

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
At beginning of year	389	–
Additions	4	389
Acquisition of subsidiaries	107	–
Foreign currency adjustment	1	–
Amortisation for the period	(15)	–
At balance sheet date	486	389

11. GOODWILL/(NEGATIVE GOODWILL)

	Goodwill		Negative goodwill	
	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
At beginning of year	76	–	(10)	–
Additional interest in subsidiaries	4	76	–	–
Acquisition of subsidiaries	191	–	–	(10)
(Amortisation)/release for the period	(6)	–	1	–
At balance sheet date	265	76	(9)	(10)

12. ACCOUNTS, BILLS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
0 – 3 months	1,314	1,439
3 – 6 months	37	38
Over 6 months	156	127
	<u>1,507</u>	<u>1,604</u>

At 30 June 2002, included in the amount of accounts, bills and other receivables was an amount of HK\$518 million (2001: HK\$618 million) due from a former subsidiary, Omnitech Group Limited (formerly O2New Technology Limited). The amount is unsecured and interest free (2001: bears interest at 2% above Hong Kong Dollar prime rate).

13. INVENTORIES

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
Raw materials	599	396
Work in progress	37	51
Finished goods	316	250
	<u>952</u>	<u>697</u>

14. ACCOUNTS AND BILLS PAYABLE

The aged analysis of accounts and bills payable is as follows:

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
0 – 3 months	667	790
3 – 6 months	36	14
Over 6 months	262	382
	<u>965</u>	<u>1,186</u>

15. SHARE CAPITAL

	Number of ordinary shares of HK\$2.50 each <i>million</i>	Number of ordinary shares of HK\$0.10 each <i>million</i>	Share Capital <i>HK\$ million</i>
Authorised:			
At 1 January 2001	400	–	1,000
Increase in authorised share capital	600	–	1,500
Capital reduction	(1,000)	1,000	(2,400)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001, 1 January 2002 and 30 June 2002	<u> </u> –	<u> </u> 1,000	<u> </u> 100
Issued and fully paid:			
At 1 January 2001	400	–	1,000
Issue of new shares	–	–	1
Capital reduction	(400)	400	(961)
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2001, 1 January 2002 and 30 June 2002	<u> </u> –	<u> </u> 400	<u> </u> 40

16. SHARE PREMIUM

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
At beginning of year	254	253
Issue of new shares	<u> </u> –	<u> </u> 1
At balance sheet date	<u> </u> 254	<u> </u> 254

17. RESERVES

	Contributed reserve <i>HK\$ million</i>	Investment revaluation reserve <i>HK\$ million</i>	Capital reserve <i>HK\$ million</i>	Exchange fluctuation reserve <i>HK\$ million</i>	Retained profits <i>HK\$ million</i>	Total <i>HK\$ million</i>
At 1 January 2001	-	3	487	(180)	(14)	296
Arising from capital reduction	961	-	-	-	-	961
Arising on consolidation of overseas subsidiaries	-	-	-	(24)	-	(24)
Share of reserve movements of associates	-	-	-	17	-	17
Reversed on disposal and partial divestment of interests in subsidiaries and associates	-	-	(4)	7	-	3
Surplus on revaluation of equity securities	-	182	-	-	-	182
Profit for the year	-	-	-	-	457	457
Dividends	-	-	-	-	(112)	(112)
At 31 December 2001 and 1 January 2002	961	185	483	(180)	331	1,780
Arising on consolidation of overseas subsidiaries	-	-	-	(4)	-	(4)
Gain realised on disposal of equity securities	-	(32)	-	-	-	(32)
Deficit on revaluation of equity securities	-	(33)	-	-	-	(33)
Profit for the period	-	-	-	-	117	117
Dividends	-	-	-	-	(132)	(132)
At 30 June 2002	961	120	483#	(184)	316	1,696

The balance of capital reserve comprises goodwill and negative goodwill of HK\$124 million and HK\$244 million, respectively.

18. CONTINGENT LIABILITIES

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
Bills discounted with recourse	<u>5</u>	<u>41</u>
Guarantee of trade finance banking facilities granted to: Associates	<u>15</u>	<u>86</u>

All trade bills discounted at the balance sheet date were subsequently honoured by customers with no loss to the Group.

19. COMMITMENTS

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
(a) Capital commitments:		
Contracted for	3	6
Authorised, but not contracted for	<u>1</u>	<u>–</u>
	<u>4</u>	<u>6</u>
(b) The future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Land and buildings:		
Not later than one year	38	33
Later than one year and not later than five years	28	28
Later than five years	<u>–</u>	<u>2</u>
	<u>66</u>	<u>63</u>
Other operating leases:		
Not later than one year	–	–
Later than one year and not later than five years	1	–
Later than five years	<u>–</u>	<u>–</u>
	<u>1</u>	<u>–</u>
Total lease commitments	<u>67</u>	<u>63</u>

19. COMMITMENTS (continued)

- (c) The group had commitments under foreign exchange forward contracts to sell approximately JPY2,435 million, equivalent to approximately HK\$162 million (2001: US\$47 million, equivalent to approximately HK\$370 million) and to purchase of US\$20 million and JPY54 million, equivalent to approximately HK\$160 million (2001: JPY5,968 million, equivalent to approximately HK\$358 million) at fixed exchange rates.

20. BANKING FACILITIES

Certain banking facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	30 June 2002 (Unaudited) <i>HK\$ million</i>	31 December 2001 (Audited) <i>HK\$ million</i>
(a) Legal charges over medium term leasehold land and buildings in Hong Kong and marketable securities	695	667
(b) Pledge of medium term leasehold land and buildings outside Hong Kong	113	113
(c) Pledge of trademarks and patents	108	–
(d) Pledge of inventories	–	19
(e) Pledge of accounts receivable and bank deposits	30	59
	<u>946</u>	<u>858</u>

21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the board of directors on 26 September 2002.