

## 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 2002 except for the adoption of the Statement of Standard Accounting Practice 12 (revised) “Income taxes” (“SSAP 12 (revised)”) issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous periods, deferred tax is accounted for using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (revised), the new accounting policy has been applied retrospectively. Nevertheless, the adoption of SSAP 12 (revised) has not resulted in any significant changes to the prior periods’ net assets and results and accordingly, no prior period adjustment is required.

## 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 for the period is as follows:

	Six months ended	
	30 June 2003	30 June 2002
	(Unaudited)	(Restated)
	<i>HK\$ million</i>	<i>HK\$ million</i>
Branded distribution	841	871
Electronics manufacturing services	1,612	1,564
Magnetic media	479	412
Financial services	827	676
	<u>3,759</u>	<u>3,523</u>

## 3. INCOME STATEMENT BY BUSINESS AND GEOGRAPHICAL SEGMENTS

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

For the six months ended 30 June 2003:

	Electronics				Consolidated
	Branded distribution	manufacturing services	Magnetic media	Financial services	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	<u>841</u>	<u>1,612</u>	<u>479</u>	<u>827</u>	<u>3,759</u>
Divisional operating results	<u>55</u>	<u>37</u>	<u>48</u>	<u>32</u>	172
Unallocated corporate expenses					<u>(14)</u>
Operating profit					158
Interest income					2
Interest expenses					(19)
Taxation					1
Minority interests					<u>(1)</u>
Profit attributable to shareholders					<u>141</u>

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

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

*For the six months ended 30 June 2002:*

	Branded distribution <i>HK\$ million</i>	Electronics manufacturing services <i>HK\$ million</i>	Magnetic media <i>HK\$ million</i>	Financial services <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover (as previous reported)	<u>871</u>	<u>1,564</u>	<u>565</u>	<u>676</u>	<u>3,676</u>
Turnover (as restated)	<u>871</u>	<u>1,564</u>	<u>412</u>	<u>676</u>	<u>3,523</u>
Divisional operating results	<u>44</u>	<u>13</u>	<u>55</u>	<u>39</u>	151
Unallocated corporate expenses					<u>(11)</u>
Operating profit					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					<u>(14)</u>
Profit attributable to shareholders					<u>117</u>

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

	Six months ended 30 June 2003 (Unaudited) <i>HK\$ million</i>	30 June 2002 (Restated) <i>HK\$ million</i>
Asia	2,853	2,650
North America	600	563
Europe	<u>306</u>	<u>310</u>
	<u>3,759</u>	<u>3,523</u>

#### 4. PROFIT BEFORE TAX

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

	Six months ended	
	30 June 2003 (Unaudited) <i>HK\$ million</i>	30 June 2002 (Unaudited) <i>HK\$ million</i>
Depreciation:		
Owned property, plant and equipment	66	76
Operating lease rentals:		
Land and buildings	15	15
Interest on:		
Bank overdrafts and loans wholly repayable within five years	19	19
Auditors' remuneration	3	3
Release of negative goodwill	-	(1)
Amortisation of goodwill	9	6
Amortisation of brands, trademarks and patents	39	15
Amortisation of other assets	1	-
Staff costs:		
Salaries and other benefits	94	105
Retirement benefit costs	9	5
Research and development expenditure	1	4
Loss on disposal of property, plant and equipment	-	4
Gain on disposal of long term investments	-	(7)
Interest income	(2)	(6)
	<u>          </u>	<u>          </u>

**5. TAX**

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 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.

No recognition of the potential deferred tax assets relating to tax losses of certain subsidiaries has been made as the recoverability of the potential deferred tax assets is uncertain.

	Six months ended	
	30 June 2003	30 June 2002
	(Unaudited)	(Unaudited)
	<i>HK\$ million</i>	<i>HK\$ million</i>
Current period provision:		
Overseas	1	–
Under/(over) provision in prior period		
Overseas	4	(2)
Deferred tax		
Hong Kong	–	1
Overseas	(6)	–
	(1)	(1)
	(1)	(1)

**6. DIVIDENDS**

	Six months ended	
	30 June 2003	30 June 2002
	(Unaudited)	(Unaudited)
	<i>HK\$ million</i>	<i>HK\$ million</i>
2002 final dividend of HK11 cents (2001: HK33 cents)		
per share on 400 million shares	44	132
	44	132

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 2003 of HK10 cents per share on 460 million shares amounting to a total of HK\$46 million was approved by the Board after the balance sheet date, and not recognised as a liability as at 30 June 2003.

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$141 million (2002: HK\$117 million) and on 400 million shares (2002: 400 million shares) in issue during the period.

Diluted earnings per share has not been presented as the Company did not have any potential ordinary shares during the above two periods.

## 8. PROPERTY, PLANT AND EQUIPMENT

	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
Net book value at beginning of year	1,386	1,535
Foreign currency adjustment	1	3
Additions	42	116
Arising on acquisition of subsidiaries	2	1
Impairment loss	–	(16)
Transferred to properties held for sale	–	(17)
Disposal of subsidiaries	–	(35)
Disposals	–	(41)
Depreciation provided during the period	(66)	(160)
	<u>1,365</u>	<u>1,386</u>
Net book value at balance sheet date	<u>1,365</u>	<u>1,386</u>

## 9. LONG TERM INVESTMENTS

	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
Listed investments, at market value		
Hong Kong	8	7
Outside Hong Kong	15	8
Unlisted investments, at cost less impairment	31	31
	<u>54</u>	<u>46</u>
	<u>54</u>	<u>46</u>

**10. BRANDS, TRADEMARKS AND PATENTS**

	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
At beginning of year	1,475	389
Foreign currency adjustment	–	4
Additions	11	220
Arising from acquisition of subsidiaries	–	934
Amortisation for the period	(39)	(72)
	1,447	1,475
At balance sheet date	1,447	1,475

**11. GOODWILL/(NEGATIVE GOODWILL)**

	Goodwill		Negative goodwill	
	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
	At beginning of year	217	76	(8)
Additional interest in subsidiaries	–	145	–	–
Acquisition of subsidiaries	99	–	–	–
(Amortisation)/release for the period	(9)	(4)	–	2
	307	217	(8)	(8)
At balance sheet date	307	217	(8)	(8)

**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 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
0 – 3 months	820	874
3 – 6 months	27	6
Over 6 months	24	31
	871	911
	871	911

### 13. INVENTORIES

	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
Raw materials	430	564
Work in progress	58	22
Finished goods	338	276
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	826	862
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### 14. ACCOUNTS AND BILLS PAYABLE

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

	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
0 – 3 months	666	700
3 – 6 months	38	73
Over 6 months	36	62
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	740	835
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**15. SHARE CAPITAL**

	Number of ordinary shares of HK\$0.10 each <i>million</i>	Amount <i>HK\$ million</i>
Authorised:		
At 1 January 2002, 31 December 2002 and 30 June 2003	1,000	100
Issued and fully paid:		
At 1 January 2002, 31 December 2002 and 30 June 2003	400	40

In July 2003, the Company issued 60 million new shares to Barrican Investments Corporation ("BIC"), a major shareholder of the Company. BIC placed 40 million of the new shares to institutional investors. The subscription and placement price was HK\$9.60 per share. The total number of shares issued and fully paid then became 460 million shares.

**16. SHARE PREMIUM**

	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
At 1 January 2002, 31 December 2002 and 30 June 2003	254	254

## 17. RESERVES

	Contributed reserve	Investment revaluation reserve	Capital reserve	Exchange fluctuation reserve	Retained profits	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
At 1 January 2002	961	185	483	(180)	331	1,780
Arising on consolidation of overseas subsidiaries	-	-	-	(14)	-	(14)
Reversed on disposal of equity securities	-	(188)	-	-	-	(188)
Deficit on revaluation of equity securities	-	(26)	-	-	-	(26)
Surplus on revaluation of investment properties	-	5	-	-	-	5
Profit for the year	-	-	-	-	378	378
Dividends	-	-	-	-	(163)	(163)
	<u>961</u>	<u>185</u>	<u>483</u>	<u>(180)</u>	<u>331</u>	<u>1,780</u>
At 31 December 2002 and 1 January 2003	961	(24)	483	(194)	546	1,772
Surplus on revaluation of equity securities	-	83	-	-	-	83
Profit for the period	-	-	-	-	141	141
Dividends	-	-	-	-	(44)	(44)
	<u>961</u>	<u>83</u>	<u>483</u>	<u>(194)</u>	<u>546</u>	<u>1,772</u>
At 30 June 2003	<u>961</u>	<u>59</u>	<u>483#</u>	<u>(194)</u>	<u>643</u>	<u>1,952</u>

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

**18. CONTINGENT LIABILITIES**

	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
Bills discounted with recourse	<u>10</u>	<u>34</u>
Guarantee of trade finance banking facilities granted to associates	<u>–</u>	<u>31</u>

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

**19. COMMITMENTS**

	30 June 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
(a) Capital commitments:		
Contracted for	45	1
Authorised, but not contracted for	<u>1</u>	<u>–</u>
	<u>46</u>	<u>1</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	36	41
Later than one year and not later than five years	27	31
Later than five years	<u>–</u>	<u>1</u>
	<u>63</u>	<u>73</u>
(c) The group had commitments under the following foreign exchange forward contracts at fixed exchange rates:		
To sell approximately JPY500 million (2002: JPY1,354 million)	<u>33</u>	<u>89</u>

## 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 2003 (Unaudited) <i>HK\$ million</i>	31 December 2002 (Audited) <i>HK\$ million</i>
(a) Legal charges over brands, trademarks and patents	638	655
(b) Legal charges over medium term leasehold land and buildings in Hong Kong and marketable securities	724	679
(c) Legal charges over plant and machinery	36	36
(d) Pledge of medium term leasehold land and buildings outside Hong Kong	112	114
(e) Pledge of accounts receivable and bank deposits	33	65
(f) Pledge of unlisted investment securities	10	10
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	1,553	1,559
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## 21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the board of directors on 15 September 2003.