



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. SIGNIFICANT ACCOUNTING POLICIES AND PRIOR PERIOD ADJUSTMENT

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a 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. The change in such policy has resulted in a decrease of approximately HK\$2,757,000 in the retained earnings as at 1 January 2003 (1 January 2002: increase in deficit of approximately HK\$3,910,000) and an increase in the profit for the six months ended 30 June 2003 of approximately HK\$382,000 (Six months ended 30 June 2002: HK\$478,000).

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2003

3. SEGMENTAL INFORMATION

The following tables present revenue and results for the Group's business segments for the six months ended 30 June 2003 and the comparative figures:

For the six months ended 30 June 2003

	Continuing operations				Discontinuing operation			Total HK\$'000
	Telephone accessories and power cords HK\$'000	Adaptors and electronic products HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Others HK\$'000	Freight forwarding and delivery services HK\$'000	Elimination HK\$'000	
REVENUE								
External sales	88,959	28,687	31,402	21,893	11,883	-	-	182,824
Inter-segment sales	6,009	-	-	-	33,527	-	(39,536)	-
Other operating income	1,363	411	29	237	816	-	-	2,856
Total	<u>96,331</u>	<u>29,098</u>	<u>31,431</u>	<u>22,130</u>	<u>46,226</u>	<u>-</u>	<u>(39,536)</u>	<u>185,680</u>
RESULTS								
Segment results	<u>445</u>	<u>627</u>	<u>1,018</u>	<u>1,467</u>	<u>(5,171)</u>	<u>-</u>		<u>(1,614)</u>
Interest and dividend income								<u>4,564</u>
Profit from operations								<u>2,950</u>
Finance costs								<u>(4,092)</u>
Share of result of a jointly controlled entity					3,277			<u>3,277</u>
Share of result of an associate			2,240					<u>2,240</u>
Profit before taxation								<u>4,375</u>
Taxation								<u>(140)</u>
Minority interests								<u>81</u>
Profit for the period								<u>4,316</u>

Inter-segment sales are charged at prevailing market rates.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

3. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2002

	Continuing operations					Discontinuing operation		Total
	Telephone accessories and power cords	Adaptors and electronic products	Printed circuit boards	High precision metal components	Others	Freight forwarding and delivery services	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	87,515	21,515	37,995	18,784	11,216	11,645	-	188,670
Inter-segment sales	5,294	-	-	-	32,423	1,780	(39,497)	-
Other operating income	1,294	73	4,650	133	1,047	23	-	7,220
Total	<u>94,103</u>	<u>21,588</u>	<u>42,645</u>	<u>18,917</u>	<u>44,686</u>	<u>13,448</u>	<u>(39,497)</u>	<u>195,890</u>
RESULTS								
Segment results	<u>4,043</u>	<u>(1,574)</u>	<u>8,006</u>	<u>(537)</u>	<u>(2,763)</u>	<u>(668)</u>		6,507
Interest and dividend income								<u>3,725</u>
Profit from operations								10,232
Finance costs								(1,120)
Share of results of jointly controlled entities			(1,998)		8,175			<u>6,177</u>
Profit before taxation								15,289
Taxation								317
Minority interests								<u>(418)</u>
Profit for the period								<u>15,188</u>

Inter-segment sales are charged at prevailing market rates.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2003

4. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intangible assets (included in selling and distribution costs)	1,267	1,280
Depreciation	14,397	14,251
and after crediting:		
Dividend income from long term investment	3,019	3,005
Gain on disposal of property, plant and equipment	59	550
Interest income from bank deposits	1,545	720

5. FINANCE COSTS

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Interest expenses on:		
Convertible bonds	2,514	—
Bank borrowings wholly repayable within five years	1,578	1,120
	4,092	1,120



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

6. TAXATION

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax:		
Provision for the period	113	–
Underprovision in prior year	136	98
Deferred taxation	(382)	(478)
	(133)	(380)
Share of taxation attributable to:		
A jointly controlled entity	33	63
An associate	240	–
	140	(317)

Hong Kong Profits Tax is calculated at 17.5% (Six months ended 30 June 2002: 16%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDEND

No dividend was paid during the period. The directors do not recommend the payment of any interim dividend.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of approximately HK\$4,316,000 (Six months ended 30 June 2002: HK\$15,188,000 as restated) and 802,673,280 ordinary shares in issue during the period.

The computation of diluted earnings per share for the current period has not assumed the exercise of the Company's share options and the conversion of the Group's convertible bonds as their exercise prices and conversion prices were higher than the average market price of the Company's shares during the period and there was no dilution effect on the basic earnings per share for the period. Diluted earnings per share was not presented for the six months ended 30 June 2002 as there were no dilutive potential ordinary shares outstanding during that period.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2003

8. EARNINGS PER SHARE (continued)

The adjustment to the comparative earnings per share, arising from the changes in accounting policies shown in note 2 above, is as follows:

Reconciliation of earnings per share for the
six months ended 30 June 2002

	<i>HK cents</i>
Reported figure before adjustment	1.83
Adjustment arising from the adoption of SSAP 12 (Revised)	0.06
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Restated figure	1.89
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9. INVESTMENT PROPERTIES

At 30 June 2003, 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 as at 30 June 2003. Consequently, no revaluation surplus or deficit has been recognised in the current period.

10. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment
	<i>HK\$'000</i>
COST	
At 1 January 2003	467,732
Additions	16,607
Disposals	(3,422)
Disposal of a subsidiary	(2,343)
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At 30 June 2003	478,574
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DEPRECIATION	
At 1 January 2003	322,362
Provided for the period	14,397
Eliminated on disposals	(2,232)
Disposal of a subsidiary	(1,559)
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At 30 June 2003	332,968
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NET BOOK VALUES	
At 30 June 2003	145,606
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At 31 December 2002	145,370
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

11. INTEREST IN AN ASSOCIATE AND LONG TERM INVESTMENT

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Interest in an associate		
Share of net assets	20,957	—
Long term investment		
Cost	—	18,957

The Group's unlisted equity interest as at 30 June 2003 represents a 28.74% (31 December 2002: 40%) equity interest in the registered capital of Tianjin Printronics Circuit Corporation ("TPC"), which is a Sino-foreign equity joint venture established in the People's Republic of China.

The Group's investment in TPC was accounted for as a long term investment as at 31 December 2002 as, in the opinion of the directors, the Group neither had joint control of, nor was in a position to exercise significant influence over TPC.

Under a reorganisation scheme implemented in February 2003 to rationalise the structure of TPC, the Group's interests in TPC was reduced to 28.74%. Since then, the Group's investment in TPC has been accounted for as an associate as, in the opinion of the directors, the Group is now able to exercise significant influence over TPC.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2003

12. TRADE AND BILLS RECEIVABLES

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.

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

	30 June 2003		31 December 2002	
	Balance	%	Balance	%
	HK\$'000		HK\$'000	
0 – 90 days	81,615	80	75,467	69
91 – 180 days	13,703	14	26,942	24
181 – 365 days	5,438	5	6,011	6
1 – 2 years	1,012	1	1,450	1
Over 2 years	24	–	377	–
	101,792	100	110,247	100

13. TRADE AND BILLS PAYABLES

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

	30 June 2003		31 December 2002	
	Balance	%	Balance	%
	HK\$'000		HK\$'000	
0 – 90 days	34,016	89	38,248	86
91 – 180 days	2,681	7	5,683	12
181 – 365 days	885	2	333	1
1 – 2 years	240	1	23	–
Over 2 years	320	1	308	1
	38,142	100	44,595	100



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2003

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.25 each		Amount	
	30 June 2003	31 December 2002	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Authorised:				
At beginning and end of the period	<u>2,000,000,000</u>	2,000,000,000	<u>500,000</u>	500,000
Issued and fully paid:				
At beginning and end of the period	<u>802,673,280</u>	802,673,280	<u>200,668</u>	200,668

15. CONTINGENT LIABILITIES

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

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Discounted bills with recourse	<u>2,747</u>	6,513
Guarantees for banking facilities granted to a jointly controlled entity	<u>59,449</u>	76,640
	<u>62,196</u>	83,153

16. COMMITMENTS

At 30 June 2003, the Group had capital commitments contracted, but not provided for amounting to approximately HK\$368,763,000 (31 December 2002: HK\$328,000).

At 30 June 2003, the Group's share of the jointly-controlled entity's capital commitments contracted, but not provided for amounted to approximately HK\$2,542,000 (31 December 2002: HK\$3,526,000).

17. DISCONTINUING OPERATIONS

On 7 January 2003, the Company entered into a sale and purchase agreement for the disposal of its entire equity interest in a wholly-owned subsidiary, San Tai Distribution Company Limited ("STD"), and assignment of its entire interest in a shareholder's loan to STD to an independent third party at a consideration of HK\$2,430,000. The disposal did not give rise to any material gain or loss to the Group.

Following the disposal of STD, the Group discontinued its freight forwarding and delivery services operations.

The results of the freight forwarding and delivery services operations are set out in note 3 under "Discontinuing Operation".

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2003

18. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant related party transactions:

		Six months ended 30 June	
	<i>Notes</i>	2003 HK\$'000	2002 HK\$'000
Management fees paid to controlling shareholders	(i)	600	600
Management fees paid to a related company	(ii)	240	240
Rental paid to a related company	(iii)	396	450
Sales to a jointly controlled entity	(iv)	6,493	6,095
Utility expenses charged to a jointly controlled entity	(v)	5,706	6,267
Purchases from a jointly controlled entity	(vi)	11,940	11,121

Notes:

- (i) Management fees of HK\$120,000 and HK\$480,000 were paid to Shougang Concord Grand (Group) Limited ("Shougang Grand"), a controlling shareholder of the Company, and Shougang Holding (Hong Kong) Limited ("Shougang Holding"), the holding company of Shougang Grand, respectively, for the provision of management services to the Group at rates agreed by the relevant parties.
- (ii) Management fees of HK\$240,000 were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), an associate of Shougang Holding, for the provision of management services to the Group at rates agreed by both parties.
- (iii) Rentals paid to Good News Investment Limited, a wholly-owned subsidiary of Shougang International, relating to the premises occupied and used by the Group as its office, 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 were 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.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2003

19. POST BALANCE SHEET EVENTS

- (a) On 21 August 2003, 303,030,303 new shares of HK\$0.25 each were issued and allotted by the Company upon the conversion of the HK\$200 million convertible bonds at HK\$0.66. The total issued share capital of the Company after the conversion was 1,105,703,583 shares of HK\$0.25 each.
- (b) On 25 August 2003, Shougang Holding entered into an agreement with the placing agents, CITIC Capital Markets Limited and Deutsche Bank AG, Hong Kong Branch (the "Placing Agents"), to place on a fully underwritten and several basis 88,000,000 existing ordinary shares of the Company at a price of HK\$0.66 per share. The shares were placed by the Placing Agents to independent third parties on 25 August 2003.

At the same series of transactions, on 25 August 2003, the Company entered into a conditional agreement with Shougang Holding for the subscription of 88,000,000 new ordinary shares by Shougang Holding at the same price of HK\$0.66 per share (the "Subscription"). On 8 September 2003, the conditions as specified in the Subscription agreement had been fulfilled and, accordingly, the said transaction was completed. The total issued share capital of the Company upon completion of the Subscription was 1,193,703,583 shares of HK\$0.25 each.

The Company intends to use the net proceeds of the Subscription of approximately HK\$56.5 million for the Company's general working capital purposes.