

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2003

1. BASIS OF PRESENTATION AND COMPARATIVE FIGURES

The condensed consolidated 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 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").

The condensed consolidated 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 liability method under which 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 condensed consolidated 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 adoption of this standard has had no material effect on the results for the prior accounting periods. Accordingly, no prior period adjustment has been required.

2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats:

- (i) on a primary segment reporting basis, by geographical segment; and
- (ii) on a secondary segment reporting basis, by business segment.

The principal activity of the Group is the manufacture and sale of electronic products, which is managed according to the geographical location of customers.

Each of the Group's geographical segments, based on the location of customers, represents a strategic business unit that offers products to customers located in different geographical areas which are subject to risks and returns that are different from those of other geographical segments. The Group's geographical segments are as follows:

- (a) Hong Kong;
- (b) India;
- (c) Elsewhere in Asia; and
- (d) Africa, Western Europe, the Middle East, North and South America, and Russia.

In determining the Group's geographical segments, revenues and profits are attributed to the segments based on the location of the customers.

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3. SEGMENT INFORMATION (continued)

(a) Geographical segments based on the location of customers

	Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Segment revenue Sales to external customers	11,786	2,331	45,156	83,057	49,857	99,258	79,898	100,526	186,697	285,172
Segment results	1,942	403	6,137	12,540	6,392	15,549	11,482	17,619	25,953	46,111
Unallocated revenue									915	669
Unallocated expenses									(1,200)	(2,848)
Profit from operations									25,668	43,932
Finance costs									(19)	(508)
Profit before taxation									25,649	43,424
Taxation									(562)	(6,996)
Profit attributable to shareholders									25,087	36,428

(b) Business segments

Over 90% of the Group's revenue and results are attributable to the manufacture and sale of electronic products.

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4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Cost of inventories sold	146,015	224,055
Depreciation	4,185	3,359
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5. FINANCE COSTS

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	–	424
Bank loans repayable after five years	–	65
Finance lease	19	19
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	19	508
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6. TAXATION

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Current taxation:		
Hong Kong	160	93
Macau	–	6,490
Elsewhere in the People's Republic of China (the "PRC")	396	413
	556	6,996
Deferred taxation	6	–
	562	6,996

Hong Kong profits tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the Period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. DIVIDEND

The directors do not recommend the payment of any interim dividend in respect of the Period.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the Period of HK\$25,087,000 (2002: HK\$36,428,000) and the weighted average number of 1,440,004,800 (2002: 1,440,000,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the profit attributable to shareholders for the Period of HK\$25,087,000 (2002: HK\$36,428,000) and the weighted average number of 1,476,584,881 (2002: 1,444,093,000) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 1,440,004,800 ordinary shares in issue during the Period, as used in the basic earnings per share calculation and the weighted average of 8,884,230 and 27,695,851 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options and warrants respectively outstanding during the Period.

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9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent approximately HK\$25 million on additions to manufacturing plant in the PRC, in order to upgrade its manufacturing capabilities.

At 30 June 2003, the directors have considered the carrying amount of the Group's leasehold land and buildings carried at revaluated amounts and have estimated that the carrying amounts do not differ significantly from those 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.

10. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 90 days to its established customers.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of the sale, is as follows:

	30.6.2003 (Unaudited) HK\$'000	31.12.2002 (Audited) HK\$'000
1 – 30 days	27,367	20,752
31 – 60 days	10,538	12,055
61 – 90 days	9,240	8,189
91 – 180 days	6,123	–
	53,268	40,996

11. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 180 days from its suppliers.

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30.6.2003 (Unaudited) HK\$'000	31.12.2002 (Audited) HK\$'000
1 – 30 days	21,170	12,030
31 – 60 days	26,172	15,438
61 – 90 days	17,134	12,870
91 – 180 days	9,768	9,463
	74,244	49,801

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12. SHARE CAPITAL

There were no movements in the share capital of the Company during the six months ended 30 June 2003.

13. OPERATING LEASE ARRANGEMENTS

The Group leases certain leasehold land and buildings under operating lease arrangements. The original lease terms for these leasehold land and buildings range from 1 to 3 years.

At 30 June 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30.6.2003 (Unaudited) HK\$'000	31.12.2002 (Audited) HK\$'000
Within one year	310	332
In the second to fifth years, inclusive	125	24
	435	356

14. COMMITMENT

At 30 June 2003, the Group had the following commitment:

	30.6.2003 (Unaudited) HK\$'000	31.12.2002 (Audited) HK\$'000
Commitment contracted but not provided for in respect of the acquisition of property, plant and equipment	15,202	20,473