

Financial Statements

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 31 December	
	<i>Notes</i>	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000 (Restated)
TURNOVER	2	1,493,167	1,087,871
Cost of sales		(1,168,916)	(847,493)
Gross profit		324,251	240,378
Other revenue		600	374
Selling and distribution costs		(73,139)	(63,154)
Administrative expenses		(90,059)	(73,222)
Other operating expenses		(2,892)	(9,060)
PROFIT FROM OPERATING ACTIVITIES		158,761	95,316
Finance costs		(11,418)	(11,203)
Share of losses of jointly-controlled entities		(560)	(254)
PROFIT BEFORE TAX	3	146,783	83,859
Tax	4	(8,797)	(6,615)
PROFIT BEFORE MINORITY INTERESTS		137,986	77,244
Minority interests		(71,078)	(45,847)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		66,908	31,397
DIVIDENDS	5	19,189	17,627
		(HK cents)	(HK cents)
EARNINGS PER SHARE	6		
Basic		5.60	2.67
Diluted		5.53	2.67

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	31 December 2003 (unaudited) HK\$'000	30 June 2003 (unaudited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets	7	1,801,320	1,703,223
Intangible assets		3,432	4,040
Interests in jointly-controlled entities		9,865	9,420
Deferred tax assets		13,320	13,750
		1,827,937	1,730,433
CURRENT ASSETS			
Inventories		306,972	262,443
Trade and bills receivables	8	843,438	691,270
Prepayments, deposits and other receivables		160,409	135,575
Cash and cash equivalents		224,811	204,052
		1,535,630	1,293,340
CURRENT LIABILITIES			
Trade and bills payables	9	618,679	460,953
Tax payable		10,218	4,243
Other payables and accruals		135,231	121,813
Trust receipt and export loans		35,191	7,879
Interest-bearing bank loans and other borrowings		597,189	462,066
		1,396,508	1,056,954
NET CURRENT ASSETS		139,122	236,386
TOTAL ASSETS LESS CURRENT LIABILITIES		1,967,059	1,966,819
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		271,833	318,704
Deferred tax liabilities		40,929	41,727
		312,762	360,431
MINORITY INTERESTS		917,583	923,924
		736,714	682,464
CAPITAL AND RESERVES			
Issued capital		119,679	119,361
Reserves		517,396	464,709
Contributed surplus		80,490	80,490
Dividends reserve		19,149	17,904
		736,714	682,464

Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 December								
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange reserve HK\$'000	Capital redemption reserve HK\$'000	Statutory and other reserves HK\$'000	Retained profits HK\$'000	Dividends reserve HK\$'000	Total HK\$'000
At 1 July 2003	119,361	51,470	80,490	(63,739)	26,178	8,845	451,088	17,904	691,597
Prior year adjustment: SSAP 12 – restatement of deferred tax	–	–	–	565	–	–	(9,698)	–	(9,133)
As restated	119,361	51,470	80,490	(63,174)	26,178	8,845	441,390	17,904	682,464
Issue of shares on exercise of share options	318	2,576	–	–	–	–	–	–	2,894
Currency translation differences and net gains and losses not recognised in the profit and loss account	–	–	–	2,392	–	–	–	–	2,392
Net profit attributable to shareholders	–	–	–	–	–	–	66,908	–	66,908
Final dividend paid in respect of previous year	–	–	–	–	–	–	–	(17,944)	(17,944)
Final dividend underprovided in respect of previous year as a result of options exercised and paid in the current period	–	–	–	–	–	–	(40)	40	–
Interim dividend	–	–	–	–	–	–	(19,149)	19,149	–
Transfer from retained profits	–	–	–	–	–	331	(331)	–	–
At 31 December 2003	119,679	54,046*	80,490	(60,782)*	26,178*	9,176*	488,778*	19,149	736,714
At 1 July 2002	117,506	36,444	80,490	(58,394)	26,178	8,562	447,977	17,626	676,389
Prior year adjustment: SSAP 12 – restatement of deferred tax	–	–	–	793	–	–	(8,415)	–	(7,622)
As restated	117,506	36,444	80,490	(57,601)	26,178	8,562	439,562	17,626	668,767
Currency translation differences and net gains and losses not recognised in the profit and loss account (restated)	–	–	–	(10,582)	–	–	–	–	(10,582)
Exchange reserve released upon deemed disposal of interests in subsidiaries	–	–	–	24	–	–	–	–	24
Goodwill released upon deemed disposal of interests in subsidiaries	–	–	–	–	–	–	92	–	92
Net profit attributable to shareholders (restated)	–	–	–	–	–	–	31,397	–	31,397
Final dividend paid in respect of previous year	–	–	–	–	–	–	–	(17,626)	(17,626)
Interim dividend	–	–	–	–	–	–	(17,627)	17,627	–
At 31 December 2002	117,506	36,444	80,490	(68,159)	26,178	8,562	453,424	17,627	672,072

* These reserve accounts comprise the consolidated reserves of HK\$517,396,000 (31 December 2002: HK\$456,449,000) in the consolidated balance sheet.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 December	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
Net cash inflow from operating activities	203,833	287,298
Net cash outflow from investing activities	(193,711)	(62,608)
Net cash outflow from financing activities	(11,885)	(233,324)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,763)	(8,634)
Cash and cash equivalents at beginning of period	125,120	104,968
Effect of foreign exchange rate changes, net	2,324	(1,190)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	125,681	95,144
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	224,811	162,348
Bank overdrafts	(99,130)	(67,204)
	125,681	95,144

Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

(b) Adoption of a revised SSAP

The accounting policies and basis of presentation used in the preparation of these condensed consolidated interim financial statements are the same as those used in the Group's audited financial statements for the year ended 30 June 2003, except for the adoption of SSAP 12 (Revised) "Income Taxes".

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, a deferred tax liability was provided using the income statement liability method on all significant timing differences to the extent it was probable that the liability would crystallise in the foreseeable future. A deferred tax asset was not recognised until its realisation was 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 resulting from the adoption of SSAP 12 (Revised) has been applied retrospectively.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Adoption of a revised SSAP (continued)

The effects of the change in accounting policy are summarised as follows:

- (i) Deferred tax arising from temporary differences between carrying amount and tax base of assets
 - recognition of deferred tax assets of HK\$13.3 million and HK\$13.7 million as at 31 December 2003 and 30 June 2003, respectively;
 - an increase in the Group's deferred tax liabilities as at 31 December 2003 and 30 June 2003 by HK\$15.4 million and HK\$8.2 million, respectively;
 - a decrease in minority interests in the consolidated balance sheet as at 31 December 2003 by HK\$1.3 million and an increase in minority interests in the consolidated balance sheet as at 30 June 2003 by HK\$2.4 million, and;
 - as a consequence, the consolidated net profits attributable to shareholders for the six months ended 31 December 2003 and 31 December 2002 have decreased by HK\$3.9 million and HK\$0.8 million, respectively, and the consolidated retained profits at 1 July 2003 and 2002 have increased by HK\$2.6 million and HK\$3.8 million, respectively.
- (ii) Recognition of deferred tax liabilities of HK\$22.0 million, relating to the fair value adjustments arising from acquisition of subsidiaries in previous years, and its corresponding effects are as follows:
 - goodwill previously charged against reserves has increased by HK\$12.2 million; and
 - minority interests in the consolidated balance sheet have decreased by HK\$9.8 million as at 31 December 2003 and 30 June 2003.

Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Change in accounting estimate relating to depreciation of plant and machinery

The Group had changed the depreciation methodology for plant and machinery and also the estimated useful lives for the printed circuit boards ("PCB") plant and machinery with effect from 1 July 2003. The detailed background to the change by the PCB group was given by the Company in an announcement dated 12 November 2003.

With effect from 1 July 2003, the straight-line method of depreciation was adopted for the Group's plant and machinery. Previously, the plant and machinery was depreciated using the unit-of-production method. The Group's plant and machinery was depreciated based on their actual utilisation over the assets' useful lives of either 5 or 7 years. The actual utilisation was measured by comparing actual output against expected total output as determined by the assets optimum capacity over their estimated useful lives. Full utilisation was assumed unless utilisation fell below its normal production capacity.

The impact of the change in methodology for the period, assuming the same length of useful lives is used in the computation, was an increase in the depreciation charge in respect of PCB plant and machinery by approximately HK\$11.6 million. The change in depreciation methodology for plant and machinery has had no significant impact on the depreciation charge for businesses other than the PCB business.

Apart from the change in depreciation methodology per above, the economic useful lives of the Group's PCB business plant and machinery were reviewed and extended from 5 or 7 years to 10 years with effect from 1 July 2003. The adoption of a 10-year period is considered conservative and reasonable as well as in line with industry practices. The change in useful lives resulted in a lower depreciation charge of HK\$48.4 million for the period. Had the 10-year straight-line depreciation method been applied for the financial year 2003, the depreciation charge in the PCB business would have reduced by HK\$44.5 million. Items of plant and machinery of businesses other than the PCB business were depreciated on the straight-line basis over their estimated useful economic lives of 5 or 7 years.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Comparative figure

The selling and marketing costs have been reclassified from administrative expenses to selling and distribution costs in order to provide a better presentation. The re-classification has no impact on the overall results.

2. SEGMENT INFORMATION

The Group engages in the businesses of manufacture and sale of electronic components, including PCB, liquid crystal displays ("LCD"), magnetic products ("Magnetic") and provision of information technology consultancy and software development services ("IT").

The business and geographical segments of the operations of the Group are as follows:

Financial Statements

2. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue, profit, certain assets, liabilities and expenditure information for the Group's business segments.

	PCB HK\$'000	LCD HK\$'000	Magnetic HK\$'000	IT HK\$'000	Corporate and others HK\$'000	Group HK\$'000
Six months ended 31 December 2003						
Segment revenue (external)	1,254,605	176,161	62,389	12	–	1,493,167
Segment results	150,010	17,545	5,421	(1,980)	(12,835)	158,161
Interest income						600
Unallocated expenses						–
Profit from operating activities						158,761
Finance costs						(11,418)
Share of losses of jointly-controlled entities	–	–	–	(439)	(121)	(560)
Profit before tax						146,783
Tax						(8,797)
Profit before minority interests						137,986
Minority interests						(71,078)
Net profit from ordinary activities attributable to shareholders						66,908
Other segment information:						
Capital expenditure	181,921	8,201	2,554	4	412	193,092
Depreciation and amortisation	81,343	9,679	1,581	2	444	93,049
Provision/(write back of provision) for obsolete inventories	2,758	(202)	–	–	–	2,556
Provision/(write back of provision) for doubtful debts	(13)	723	(1,797)	–	–	(1,087)
Loss on disposal of fixed assets	699	–	1	–	–	700
Loss on deemed disposal of interests in subsidiaries	–	–	–	–	–	–
As at 31 December 2003						
Segment assets/(net liabilities)	2,990,805	234,545	64,461	362	(50,571)	3,239,602
Interests in jointly-controlled entities	–	–	–	8,571	1,294	9,865
Bank overdrafts included in segment assets	310	23,180	–	–	75,640	99,130
Unallocated assets						14,970
Total assets						3,363,567
Segment liabilities	655,964	52,977	27,446	298	16,766	753,451
Bank overdrafts included in segment assets	310	23,180	–	–	75,640	99,130
Unallocated liabilities						856,689
Total liabilities						1,709,270

2. SEGMENT INFORMATION (continued)

Business segments (continued)

	PCB HK\$'000	LCD HK\$'000	Magnetic HK\$'000	IT HK\$'000	Corporate and others HK\$'000	Group HK\$'000 (Restated)
Six months ended 31 December 2002						
Segment revenue (external)	917,202	121,946	48,461	262	—	1,087,871
Segment results	93,450	16,962	5,377	(2,671)	(18,011)	95,107
Interest income						374
Unallocated expenses						(165)
Profit from operating activities						95,316
Finance costs						(11,203)
Share of losses of jointly-controlled entities	—	—	—	(254)	—	(254)
Profit before tax						83,859
Tax						(6,615)
Profit before minority interests						77,244
Minority interests						(45,847)
Net profit from ordinary activities attributable to shareholders						31,397
Other segment information:						
Capital expenditure	58,441	9,567	1,991	9	601	70,609
Depreciation and amortisation	94,892	8,152	1,896	2	304	105,246
Provision/(write back of provision) for obsolete inventories	4,698	103	221	—	—	5,022
Provision/(write back of provision) for doubtful debts	369	(235)	—	—	—	134
Loss on disposal of fixed assets	555	—	—	—	—	555
Loss on deemed disposal of interests in subsidiaries	165	—	—	—	—	165
As at 30 June 2003						
Segment assets/(net liabilities)	2,684,579	223,757	53,471	1,236	(42,972)	2,920,071
Interests in jointly-controlled entities	—	—	—	9,044	376	9,420
Bank overdrafts included in segment assets	259	7,433	—	—	71,240	78,932
Unallocated assets						15,350
Total assets						3,023,773
Segment liabilities	486,993	60,667	17,759	822	14,527	580,768
Bank overdrafts included in segment assets	259	7,433	—	—	71,240	78,932
Unallocated liabilities						757,685
Total liabilities						1,417,385

Financial Statements

2. SEGMENT INFORMATION (continued)

Geographical segments

The following tables present revenue, certain assets, liabilities and expenditure information for the Group's geographical segments.

	Hong Kong HK\$'000	Singapore HK\$'000	Mainland China HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	North & Central America HK\$'000	Europe HK\$'000	Other Asian countries HK\$'000	Other countries HK\$'000	Group HK\$'000
Six month ended 31 December 2003										
Segment revenue (external)	277,763	55,588	388,741	217,956	45,768	81,455	297,082	116,619	12,195	1,493,167
Capital expenditure	8,413	179	156,465	–	27,957	78	–	–	–	193,092
As at 31 December 2003										
Other geographical information:										
Segment assets	888,029	4,694	1,969,020	–	386,066	1,658	–	–	–	3,249,467
Bank overdrafts included in segment assets	99,130	–	–	–	–	–	–	–	–	99,130
Unallocated assets										14,970
										<u>3,363,567</u>

2. SEGMENT INFORMATION (continued)

Geographical segments (continued)

	Hong Kong HK\$'000	Singapore HK\$'000	Mainland China HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	North & Central America HK\$'000	Europe HK\$'000	Other Asian countries HK\$'000	Other countries HK\$'000	Group HK\$'000 (Restated)
Six month ended 31 December 2002										
Segment revenue (external)	122,505	81,707	246,833	232,054	29,899	93,638	208,497	63,026	9,712	1,087,871
Capital expenditure	2,186	12,931	55,266	–	206	20	–	–	–	70,609
As at 30 June 2003										
Other geographical information:										
Segment assets	777,971	3,433	1,805,587	506	338,075	3,919	–	–	–	2,929,491
Bank overdrafts included in segment assets	78,673	–	–	–	259	–	–	–	–	78,932
Unallocated assets										15,350
										3,023,773

Financial Statements

3. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Six months ended 31 December	
	2003	2002
	HK\$'000	HK\$'000
Depreciation of fixed assets	92,450	104,847
Amortisation of intangible assets	599	399
Loss on disposal of fixed assets	700	555
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	11,418	11,846
Less: amount capitalised	—	(643)
Net interest expense	11,418	11,203
Exchange gains, net	(3,158)	(51)
Interest income	(600)	(374)
Provision for obsolete inventories	2,556	5,022
Provision/(write back of provision) for doubtful debts	(1,087)	134
Loss on deemed disposal of interest in subsidiaries	—	165
Severance payments for the PCB business	—	2,866

4. TAX

	Six months ended 31 December	
	2003 HK\$'000	2002 HK\$'000 (Restated)
Current period's provision for tax:		
The People's Republic of China		
Mainland	7,987	2,525
Hong Kong	618	2,605
Overseas	179	314
Deferred tax	13	1,171
Tax charge for the period	8,797	6,615

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16.0%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in other jurisdictions have been calculated at rates of tax prevailing in the jurisdictions in which the Group operates.

5. DIVIDENDS

	Six months ended 31 December	
	2003 HK\$'000	2002 HK\$'000
Interim dividend of 1.6 HK cents (2002: 1.5 HK cents) per ordinary share	19,149	17,627
Adjustment to final dividend underprovided in respect of previous year as a result of options exercised	40	—
	19,189	17,627

Financial Statements

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated net profit attributable to shareholders for the period of HK\$66,908,000 (2002 – restated: HK\$31,397,000) and the weighted average of 1,195,105,941 (2002: 1,175,062,408) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the adjusted consolidated net profit attributable to shareholders for the period of HK\$66,658,000 (2002 – restated: HK\$31,390,000) and the weighted average of 1,205,572,991 (2002: 1,175,062,408) ordinary shares outstanding during the period, adjusted for the effects of all dilutive potential shares.

The adjusted consolidated net profit attributable to shareholders is calculated based on the consolidated net profit attributable to shareholders for the period of HK\$66,908,000 (2002 – restated: HK\$31,397,000) less the dilution in the results of a subsidiary attributable to the Group by HK\$250,000 (2002: HK\$7,000) arising from the deemed exercise of all of the outstanding employee share options of that subsidiary.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 1,195,105,941 (2002: 1,175,062,408) ordinary shares in issue during the period plus the weighted average of 10,467,050 (2002: Nil) ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options have been exercised.

7. FIXED ASSETS

For the six months ended 31 December 2003, the Group has acquired fixed assets amounting to approximately HK\$193,092,000 (six months ended 31 December 2002: HK\$70,609,000) and has disposed of fixed assets amounting to approximately HK\$16,386,000 (six months ended 31 December 2002: HK\$13,720,000).

8. TRADE AND BILLS RECEIVABLES

The Group operates a credit policy and allows an average credit period of 30–90 days to its trade customers who satisfy the credit evaluation. The aging analysis of trade and bills receivables is as follows:

	31 December 2003 HK\$'000	30 June 2003 HK\$'000
Within credit period	590,553	526,140
Overdue 1–30 days	157,856	91,866
Overdue 31–60 days	51,906	40,323
Overdue more than 60 days	43,123	32,941
Total	843,438	691,270

9. TRADE AND BILLS PAYABLES

The aging of trade and bills payables is as follows:

	31 December 2003 HK\$'000	30 June 2003 HK\$'000
Less than 30 days	230,539	191,865
31–60 days	116,244	90,653
61–90 days	101,241	77,018
Over 90 days	170,655	101,417
Total	618,679	460,953

Financial Statements

10. COMMITMENTS

(a) Capital commitments

	31 December 2003 HK\$'000	30 June 2003 HK\$'000
Contracted, but not provided for	70,632	42,088
Contracted, but not provided for, capital contributions payable to:		
A jointly-controlled entity	1,936	2,916
Subsidiaries	341,341	421,741
	413,909	466,745

	31 December 2003 HK\$'000	30 June 2003 HK\$'000
Future guarantee profit to minority shareholders pursuant to joint venture agreements	16,161	19,878

10. COMMITMENTS (continued)

(b) Commitments under operating leases

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

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

	31 December 2003 HK\$'000	30 June 2003 HK\$'000
Within one year	5,285	5,333
In the second to fifth year inclusive	3,878	3,320
	9,163	8,653