

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

1. BASIS OF PRESENTATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 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 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 2003.

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

3. SEGMENT INFORMATION (continued)

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

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		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	6,434	11,786	54,757	45,156	64,646	49,857	103,865	79,898	229,702	186,697
Segment results	1,261	1,942	9,874	6,137	12,709	6,392	20,931	11,482	44,775	25,953
Unallocated revenue									1,368	915
Unallocated expenses									(1,151)	(1,200)
Profit from operations									44,992	25,668
Finance costs									(168)	(19)
Profit before taxation									44,824	25,649
Taxation									5,671	(562)
Net profit attributable to shareholders									50,495	25,087

Business segments

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	168,964	146,015
Depreciation of property, plant and equipment	6,431	4,185
Interest income	(280)	(467)
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans	149	-
Finance leases	19	19
	<hr/> <hr/>	<hr/> <hr/>
	168	19

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

6. TAXATION

	Six months ended 30 June	
	2004 (Unaudited) <i>HK\$'000</i>	2003 (Unaudited) <i>HK\$'000</i>
Current taxation:		
Hong Kong	189	160
Other jurisdictions	194	396
	383	556
Overprovision in prior years		
Hong Kong		
Other jurisdictions	(26)	–
	(6,028)	–
	(5,671)	556
Deferred taxation	–	6
	(5,671)	562

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the Period of HK\$50,495,000 (2003: HK\$25,087,000) and the weighted average number of 1,440,004,800 (2003: 1,440,004,800) ordinary shares in issue during the Period.

Diluted earnings per share for the Period has not been presented as the share options outstanding during the Period had an anti-dilutive effect on the basic earnings per share for the Period.

The calculation of diluted earnings per share for the period ended 30 June 2003 was based on the net profit attributable to shareholders for that period of HK\$25,087,000 and the weighted average number of 1,476,584,881 ordinary shares. The weighted average number of ordinary shares used in the calculation was the weighted average number of 1,440,004,800 ordinary shares in issue during that 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 that Period.

9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent approximately HK\$20 million on construction of its new production plant and approximately HK\$20 million on acquisition of plant, machinery and equipment for group expansion.

At 30 June 2004, 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 Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

10. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 90 days to its 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:

	30.6.2004 (Unaudited) <i>HK\$'000</i>	31.12.2003 (Audited) <i>HK\$'000</i>
1 – 30 days	36,974	38,356
31 – 60 days	22,015	19,342
61 – 90 days	9,621	6,379
Over 90 days	5,956	2,459
	<hr/> 74,566	<hr/> 66,536
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE PAYABLES

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

	30.6.2004 (Unaudited) <i>HK\$'000</i>	31.12.2003 (Audited) <i>HK\$'000</i>
1 – 30 days	28,396	22,848
31 – 60 days	16,121	14,062
61 – 90 days	11,382	8,998
91 – 180 days	7,961	36,368
	<hr/> 63,860	<hr/> 82,276
	<hr/> <hr/>	<hr/> <hr/>

12. SHARE CAPITAL

There were no movements in the share capital of the Company during the Period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

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 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30.6.2004 (Unaudited) <i>HK\$'000</i>	31.12.2003 (Audited) <i>HK\$'000</i>
Within one year	173	280
In the second to fifth years, inclusive	244	331
	417	611

14. COMMITMENT

At 30 June 2004, the Group had the following commitment:

	30.6.2004 (Unaudited) <i>HK\$'000</i>	31.12.2003 (Audited) <i>HK\$'000</i>
Commitment contracted but not provided for in the financial statements in respect of the acquisition of:		
Leasehold land and buildings	8,334	1,852
Plant and machinery	1,084	2,494
	9,418	4,346