

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention.

The condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The accounting policies adopted in the preparation of these financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2003.

2. Turnover and segment information

The Group is principally engaged in the manufacture and sale of Electrical fittings, Ironware parts, Communication facilities; and Corporate and others.

(a) Business segments

The following table presents unaudited revenue and profit/(loss) for the Group's business segments for the six months ended 30 June 2004 and 2003.

	Electrical fittings		Ironware parts		Communication facilities		Corporate and others		Eliminations		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue												
Sales to external customers	139,312	49,984	175,756	84,823	64,482	38,974	14,406	2,933	-	-	393,956	176,714
Inter segment Sales	-	509	-	-	-	-	-	-	-	(509)	-	-
Total	139,312	50,493	175,756	84,823	64,482	38,974	14,406	2,933	-	(509)	393,956	176,714
Segment results	40,138	13,773	28,647	15,807	5,609	1,692	(8,083)	(6,251)	-	793	66,311	25,814
Unallocated income											2,091	858
Profit from operating activities											68,402	26,672

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Turnover and segment information (Continued)

b) Geographical segments

The following table presents unaudited revenue and operating profit for the Group's geographical segments for the six months ended 30 June 2004 and 2003.

	Turnover		Profit from operating activities	
	Six months ended 30 June		Six months ended 30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China:				
Hong Kong	36,073	12,118	6,432	4,107
Elsewhere	328,671	151,293	57,066	21,025
Southeast Asian countries	1,891	493	1,354	136
Australia	14,690	3,834	2,209	77
Others	12,631	8,976	1,341	1,327
	393,956	176,714	68,402	26,672

3. Depreciation and amortisation

During the Period, depreciation of HK\$8,896,000 (2003: HK\$6,130,000) was charged in respect of the Group's fixed assets and amortisation of HK\$248,700 (2003: HK\$12,000) was charged in respect of the Group's prepaid rental.

4. Tax

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
The People's Republic of China:		
Hong Kong	-	-
Elsewhere	6,233	2,926
	6,233	2,926
Share of tax attributable to an associate	977	319
	7,210	3,245

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the six months ended 30 June 2004. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Group and the Company did not have any significant unprovided deferred tax liabilities as at 30 June 2004 (2003: Nil).

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*(Continued)***5. Dividend**

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interim dividend	22,733	6,040

The Board of Directors has resolved to pay an interim dividend to shareholders at HK\$0.007 (2003: HK\$0.002) per share for the six months ended 30 June 2004.

6. Earnings per share

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the Period of HK\$58,720,000 (2003: HK\$22,637,000) and the weighted average of 3,232,581,967 (2003: 3,020,000,000) ordinary shares in issue during the period.

The employee share options outstanding did not have a material dilutive effect on the basic earnings per share.

7. Trade and bills receivables

	30 June	31 December
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	302,622	196,706
Bills receivable	3,240	3,763
	305,862	200,469

The age of the Group's trade and bills receivables are analysed as follows:

	30 June	31 December
	2004	2003
	HK\$'000	HK\$'000
Within 3 months	257,315	160,957
4 to 6 months	31,377	29,263
7 to 9 months	20,113	8,349
10 to 12 months	1,465	2,809
More than 1 year	3,094	2,618
	313,364	203,996
Provision for bad and doubtful debts	(7,502)	(3,527)
	305,862	200,469

It is the general policy of the Group to allow a credit period of three to six months. In addition, for certain customers with state-owned background and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Continued)****8. Trade And Bills Payables**

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Trade payables	118,332	63,747
Bills payable	43,002	57,237
	<u>161,334</u>	<u>120,984</u>

The age of the Group's trade and bills payable are analysed as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Within 3 months	139,297	101,766
4 to 6 months	15,458	13,840
7 to 9 months	4,509	4,129
10 to 12 months	843	417
More than 1 year	1,227	832
	<u>161,334</u>	<u>120,984</u>

9. Share Capital

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: Ordinary shares of HK\$0.01 each	<u>32,475</u>	<u>30,200</u>
Number of shares	<u>3,247,500,000</u>	<u>3,020,000,000</u>

On 23 January 2004, a total of 227,500,000 ordinary shares of HK\$0.01 each in the Company were issued at a subscription price of HK\$0.20 per share.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Operating lease arrangements

(a) *As lessor*

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The term of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 Jun 2004, the Group had total future minimum lease receivable under non-cancelable operating leases with its tenants falling due as follows:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Within one year	401	395
In the second to fifth years, inclusive	185	379
	586	774

(b) *As lessee*

The Group leases certain of its use of land under operating lease arrangements which are negotiated for a lease term of 50 years. In addition, the Group leases certain of its office properties under operating lease arrangements. Lease for properties are ranged from two to five years.

At 30 June 2004, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Within one year	277	300
In the second to fifth years, inclusive	591	654
After five years	9,314	9,392
	10,182	10,346

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**(Continued)****11. Commitments**

The Group had the following capital commitments contracted but not provided for at the balance sheet date:

	30 June 2004 HK\$'000 (Unaudited)	31 December 2003 HK\$'000 (Audited)
Additions to fixed assets	2,428	7,809
Procurement of land use rights for a PRC land for 50 years	-	561
An investment in a subsidiary	4,000	9,228
	<u>6,428</u>	<u>17,598</u>

12. Contingent liabilities

At 30 June 2004, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries and an associate, which were utilised to the extent of HK\$32.8 million (31 December 2003: HK\$16.1 million).

Save as disclosed above neither the Group, nor the Company, had any significant contingent liabilities as at 30 June 2004.

13. Pledge of assets

Certain of the Group's borrowings at 30 June 2004 were secured by bank deposits, leasehold land and buildings and investment properties situated in Hong Kong owned by the Group.