

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the audited 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; and corporate finance and investment income but excludes intra-group transactions.

An analysis of the Group's turnover by principal activity for the period is as follows:

	Six months ended	
	30 June 2004 (Unaudited) <i>HK\$ million</i>	30 June 2003 (Unaudited) <i>HK\$ million</i>
Branded distribution	1,604	841
Electronics manufacturing services	1,287	2,091
Financial services	—	827
	2,891	3,759
	2,891	3,759

### 3. INCOME STATEMENT BY BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) **Income statement by business segments:**

*For the six months ended 30 June 2004:*

	Branded distribution <i>HK\$ million</i>	Electronics manufacturing services <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	<u>1,604</u>	<u>1,287</u>	<u>2,891</u>
Divisional operating results	<u>164</u>	<u>51</u>	215
Unallocated corporate expenses			<u>(6)</u>
			209
Gain/(loss) on disposal of property, plant and equipment	2	(18)	(16)
Loss on disposal of subsidiaries			(4)
Interest income			<u>2</u>
Operating profit			191
Interest expenses			(13)
Taxation			(1)
Minority interests			<u>(5)</u>
Profit attributable to shareholders			<u>172</u>

*For the six months ended 30 June 2003:*

	Branded distribution <i>HK\$ million</i>	Electronics manufacturing services <i>HK\$ million</i>	Financial services <i>HK\$ million</i>	Consolidated <i>HK\$ million</i>
Turnover	<u>841</u>	<u>2,091</u>	<u>827</u>	<u>3,759</u>
Divisional operating results	<u>55</u>	<u>85</u>	<u>32</u>	172
Unallocated corporate expenses				<u>(14)</u>
				158
Interest income				<u>2</u>
Operating profit				160
Interest expenses				(19)
Taxation				1
Minority interests				<u>(1)</u>
Profit attributable to shareholders				<u>141</u>

3. INCOME STATEMENT BY BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(b) The geographical segments of the Group's turnover is as follows:

	Six months ended	
	30 June 2004 (Unaudited) <i>HK\$ million</i>	30 June 2003 (Unaudited) <i>HK\$ million</i>
Asia	2,075	2,853
North America	420	600
Europe	396	306
	<u>2,891</u>	<u>3,759</u>

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging / (crediting):

	Six months ended	
	30 June 2004 (Unaudited) <i>HK\$ million</i>	30 June 2003 (Unaudited) <i>HK\$ million</i>
Depreciation of property, plant and equipment:		
Owned assets	62	66
Leased assets	1	-
Operating lease rentals:		
Land and buildings	11	15
Interest on:		
Bank overdrafts and loans wholly repayable within five years	12	19
Bank loans wholly repayable over five years	1	-
Auditors' remuneration	3	3
Amortisation of goodwill	7	9
Amortisation of brands, trademarks and patents	39	39
Amortisation of other assets	4	1
Staff costs:		
Salaries and other benefits	98	94
Retirement benefit costs	1	9
Research and development expenditure	5	1
Loss on disposal of property, plant and equipment	16	-
Interest income	(2)	(2)
	<u>(2)</u>	<u>(2)</u>

## 5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been provided at the applicable rates of tax in the countries in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended	
	30 June 2004 (Unaudited) <i>HK\$ million</i>	30 June 2003 (Unaudited) <i>HK\$ million</i>
Current period provision:		
Hong Kong	1	–
Overseas	–	1
Under provision in prior period		
Overseas	–	4
Deferred tax		
Overseas	–	(6)
	<u>1</u>	<u>(1)</u>

## 6. DIVIDENDS

	Six months ended	
	30 June 2004 (Unaudited) <i>HK\$ million</i>	30 June 2003 (Unaudited) <i>HK\$ million</i>
2002 final dividend of HK11 cents per share on 400 million shares	–	44
2003 final cash dividend of HK10 cents per share on 460 million shares	46	–
2003 special dividend by way of a distribution in specie of one share of Sansui Electric Co., Ltd. (“SEC”), a company listed on the First Section of the Tokyo Stock Exchange, for every two shares of the Company being held by the shareholders on the register of members on 16 June 2004. The market value at that date and at 30 June 2004 of SEC was 34 Yen per share which equates to a special dividend of HK121 cents per share.	555	–
	<u>601</u>	<u>44</u>

An interim dividend in respect of 2004 of HK11 cents per share on 460 million shares amounting to a total of HK\$51 million was approved by the Board after the balance sheet date, and not recognised as a liability as at 30 June 2004.

**7. EARNINGS PER SHARE**

The calculation of earnings per share is based on profit attributable to shareholders of HK\$172 million (2003: HK\$141 million) and on 460 million shares (2003: 400 million shares) in issue during the period.

Diluted earnings per share has not been presented as the Company did not have any potential ordinary shares during the above two periods.

**8. PROPERTY, PLANT AND EQUIPMENT**

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
Net book value at beginning of year	1,323	1,386
Foreign currency adjustment	–	8
Additions	24	90
Arising on acquisition of subsidiaries	–	2
Disposal of subsidiaries	(18)	(3)
Disposals	(29)	(32)
Depreciation provided during the period	(63)	(128)
	1,237	1,323
Net book value at balance sheet date	1,237	1,323

**9. LONG TERM INVESTMENTS**

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
Listed investments, at market value		
Hong Kong	7	9
Outside Hong Kong	25	22
Unlisted investments, at cost less impairment	26	27
	58	58
	58	58

## 10. BRANDS, TRADEMARKS AND PATENTS

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
At beginning of year	1,391	1,475
Foreign currency adjustment	6	(6)
Amortisation for the period	(39)	(78)
	<u>1,358</u>	<u>1,391</u>
At balance sheet date	<u><u>1,358</u></u>	<u><u>1,391</u></u>

## 11. GOODWILL / (NEGATIVE GOODWILL)

	Goodwill		Negative goodwill	
	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
At beginning of year	284	217	(4)	(8)
Acquisition of subsidiaries	-	83	-	-
Additional interest in subsidiaries	-	-	(1)	-
Disposal of subsidiaries	-	-	-	3
(Amortisation) / release for the period	(7)	(16)	-	1
	<u>277</u>	<u>284</u>	<u>(5)</u>	<u>(4)</u>
At balance sheet date	<u><u>277</u></u>	<u><u>284</u></u>	<u><u>(5)</u></u>	<u><u>(4)</u></u>

**12. ACCOUNTS, BILLS AND OTHER RECEIVABLES**

The Group allows an average credit period of 30 to 90 days to its trade customers. The aged analysis of trade and other receivables (net of allowance for doubtful debts) is as follows:

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
0 – 3 months	644	675
3 – 6 months	7	20
Over 6 months	79	72
	730	767
	730	767

**13. INVENTORIES**

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
Raw materials	347	353
Work in progress	53	60
Finished goods	333	325
	733	738
	733	738

**14. ACCOUNTS AND BILLS PAYABLE**

The aged analysis of accounts and bills payable is as follows:

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
0 – 3 months	559	792
3 – 6 months	20	33
Over 6 months	87	26
	666	851
	666	851

## 15. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each <i>million</i>	Amount <i>HK\$ million</i>
Authorised:		
At 1 January 2003, 31 December 2003 and 30 June 2004	<u>1,000</u>	<u>100</u>
Issued and fully paid:		
At 1 January 2003	400	40
Issue of new shares	<u>60</u>	<u>6</u>
At 31 December 2003, 1 January 2004 and 30 June 2004	<u>460</u>	<u>46</u>

In July 2003, arrangements were made for a private placement to independent private investors of 40 million shares of HK\$0.10 each in the Company held by Barrican Investments Corporation ("BIC"), a major shareholder of the Company, at a price of HK\$9.60 per share representing a discount of approximately 9.86% to the closing market price of the Company's shares on 8 July 2003.

Pursuant to a subscription agreement of the same date, BIC subscribed for 60 million new shares of HK\$0.10 each in the Company at a price of HK\$9.60 per share. The proceeds were used to reduce borrowings and to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 25 June 2003 and rank pari passu with other shares in issue in all respects.

## 16. SHARE PREMIUM

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
At beginning of year	812	254
Premium on issue of new shares	–	570
Share issue expenses	<u>–</u>	<u>(12)</u>
At balance sheet date	<u>812</u>	<u>812</u>

17. RESERVES

	Contributed reserve	Investment revaluation reserve	Capital reserve	Exchange fluctuation reserve	Retained profits	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
At 1 January 2003, as previously reported	961	(24)	483	(194)	546	1,772
Adjustment on adoption of SSAP 12 (revised)	–	–	(25)	–	4	(21)
At 1 January 2003, as restated	961	(24)	458	(194)	550	1,751
Effect of change in tax rate	–	–	(3)	–	–	(3)
Arising on consolidation of overseas subsidiaries	–	–	–	(37)	–	(37)
Surplus on revaluation of equity securities	–	15	–	–	–	15
Deficit on revaluation of investment properties	–	(3)	–	–	–	(3)
Impairment loss recognised in respect of long term equity securities	–	10	–	–	–	10
Profit for the year	–	–	–	–	450	450
Dividends	–	–	–	–	(90)	(90)
At 31 December 2003 and 1 January 2004	961	(2)	455	(231)	910	2,093
Arising on consolidation of overseas subsidiaries	–	–	–	4	–	4
Reversed on disposal of subsidiaries	–	(6)	(12)	35	–	17
Surplus on revaluation of equity securities	–	6	–	–	–	6
Profit for the period	–	–	–	–	172	172
Dividends	–	–	–	–	(601)	(601)
At 30 June 2004	961	(2)*	443#	(192)	481	1,691

# The balance of capital reserve comprise goodwill and negative goodwill of HK\$124 million and HK\$210 million, respectively.

\* The balance of investment revaluation reserve included investment property revaluation reserve of HK\$2 million.

## 18. CONTINGENT LIABILITIES

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
Bills discounted with recourse	<u>30</u>	<u>20</u>

All trade bills discounted at the balance sheet date were subsequently honoured by customers with no losses to the Group.

## 19. COMMITMENTS

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
(a) Capital commitments:		
Contracted for	1	1
Authorised, but not contracted for	<u>1</u>	<u>2</u>
	<u>2</u>	<u>3</u>
(b) The future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Land and buildings:		
Not later than one year	26	29
Later than one year and not later than five years	<u>25</u>	<u>23</u>
	<u>51</u>	<u>52</u>
(c) At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:		
Land and buildings:		
Not later than one year	6	3
Later than one year and not later than five years	<u>3</u>	<u>1</u>
	<u>9</u>	<u>4</u>
(d) The group had commitments under the following foreign exchange forward contracts at fixed exchange rates for the purpose of hedging against accounts receivables and accounts payables:		
To sell approximately RMB65 million (2003: JPY10,781 million and RMB82 million)	<u>61</u>	<u>856</u>
To purchase approximately JPY626 million (2003 : nil)	<u>45</u>	<u>-</u>

## 20. BANKING AND FINANCE LEASE FACILITIES

Certain banking and finance lease facilities available to the Group were secured by assets for which the aggregate carrying values were as follows:

	30 June 2004 (Unaudited) <i>HK\$ million</i>	31 December 2003 (Audited) <i>HK\$ million</i>
(a) Legal charges over brands, trademarks and patents	602	617
(b) Legal charges over medium term leasehold land and buildings in Hong Kong	207	210
(c) Legal charges over investment properties	47	46
(d) Legal charges over plant and machinery	34	35
(e) Pledge of medium term leasehold land and buildings outside Hong Kong	110	110
(f) Pledge of accounts receivable and bank deposits	17	26
	1,017	1,044
	1,017	1,044

## 21. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the board of directors on 10 September 2004.

## DIVIDENDS

The Board of Directors has resolved to pay an interim dividend of HK11 cents per share (2003: HK10 cents per share) totaling approximately HK\$51 million (2003: HK\$46 million) to shareholders whose names appear on the register of members on 13 October 2004. It is expected that dividends will be dispatched to shareholders on or before 10 November 2004.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 11 October to 13 October 2004, both days inclusive, during which no transfer of shares will be registered.

To rank for the interim dividend, all transfers should be lodged with the Company's Registrars, Tengis Limited at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 8 October, 2004.