

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2004*

### **1. Basis of Preparation and Accounting Policies**

The unaudited interim condensed consolidated 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 Institute of Certified Public Accountants.

The principal accounting policies and methods of computation used in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the 2003 annual financial statements of the Group.

## 2. Turnover, Revenue and Segmented Information

An analysis of the Group's turnover/revenue and results for the period by business segments is as follows:

	<b>Six months ended 30 June</b>			
	<b>Turnover/Revenue</b>		<b>Contribution to operating profit</b>	
	<b>2004 (unaudited) HK\$'000</b>	2003 (unaudited) HK\$'000	<b>2004 (unaudited) HK\$'000</b>	2003 (unaudited) HK\$'000
<b>By activity</b>				
Electronic products and components	<b>59,935</b>	94,440	<b>906</b>	2,841
Smart card technology	<b>3,969</b>	3,229	<b>806</b>	462
Property investments	<b>789</b>	338	<b>554</b>	338
	<b>64,693</b>	98,007	<b>2,266</b>	3,641
Interest and other income			<b>13,869</b>	13,960
Unallocated corporate expenses			<b>(10,350)</b>	(11,165)
Share of results of associates			<b>1,626</b>	639
Finance costs			<b>(1,327)</b>	(1,242)
			<b>6,084</b>	5,833
<b>By geographical area</b>				
Asia	<b>61,322</b>	89,621	<b>1,799</b>	3,389
North America	<b>41</b>	5,888	<b>1</b>	35
Europe	<b>3,330</b>	2,498	<b>466</b>	217
	<b>64,693</b>	98,007	<b>2,266</b>	3,641

### 3. Profit from Operating Activities

This is stated:

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
after crediting:		
Gross rental income	<b>789</b>	338
Less: outgoings	<b>(235)</b>	–
Net rental income	<b>554</b>	338
Interest income	<b>964</b>	280
Profit on disposal of investment properties	–	2,320
Profit on deemed disposal of an associate	–	2,667
Provision for impairment of long term investments written back	–	4,992
Gain on listed investments	<b>5,989</b>	–
and after charging:		
Amortisation and impairment loss on goodwill	<b>1,007</b>	1,210
Bad and doubtful debts	<b>940</b>	–
Depreciation of properties, plant and equipment	<b>1,549</b>	1,625
Loss on disposal of properties, plant and equipment	–	157

### 4. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest and similar charges on:		
Bank loans and overdrafts wholly repayable within five years	<b>1,327</b>	1,007
Finance lease	–	5
Others	–	230
	<b>1,327</b>	1,242

## 5. Taxation

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profit for the Current Period (2003: Nil). Taxes on income earned outside Hong Kong have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing law, practice and interpretation thereof.

	<b>Six months ended 30 June</b>	
	<b>2004</b> <b>(unaudited)</b> <b>HK\$'000</b>	2003 (unaudited) HK\$'000
Current Period provision:		
Outside Hong Kong	<b>23</b>	–
	<b>23</b>	–
Prior period overprovision:		
Outside Hong Kong	–	(2,982)
	–	(2,982)
	<b>23</b>	(2,982)
Share of tax in associates	–	–
Deferred tax	–	–
Tax expense/(credit) for the period – net	<b>23</b>	(2,982)

## 6. Earnings Per Share

The calculation of basic earnings per share is based on the net profit attributable to shareholders of HK\$5,042,000 (2003: HK\$6,849,000) and the weighted average of 74,289,768 shares (2003: 58,317,392 shares) in issue during the Current Period.

The diluted earnings per share for the period ended 30 June 2004 was HK\$0.07. This is based on the net profit attributable to shareholders of HK\$5,042,000 and the weighted average of 74,468,129 shares which is adjusted for the effect of share options granted on 15 July 2003. Diluted earnings per share for the period ended 30 June 2003 has not been shown as there were no outstanding share options.

## 7. Long Term Investments

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Unlisted equity investments, at cost	<b>23,700</b>	66,147
Listed investments (Hong Kong Stock Exchange), at cost	-	144
	<b>23,700</b>	66,291
Less: provision for impairment	-	(9,579)
Net carrying value	<b>23,700</b>	56,712
Listed investments, at market value	-	65

## 8. Interests in Associates

Information relating to Bizipoint Group Limited, PVP Limited and their subsidiaries as required by SSAP 10 (revised) "Accounting for investments in associates" is as follows:

### Bizipoint Group

	<b>Six months ended 30 June</b>	
	<b>2004 (unaudited) HK\$'000</b>	2003 (unaudited) HK\$'000
Turnover	<b>2,055</b>	2,313
Profit for the period	<b>1,486</b>	303
	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Long term assets	<b>96</b>	178
Current assets	<b>204</b>	575
Current liabilities	<b>(2,124)</b>	(2,034)
Deferred income	<b>(3,333)</b>	(5,333)

**8. Interests in Associates (Continued)****PVP Group**

	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Turnover	<b>3,966</b>	6,665
Profit for the period	<b>2,373</b>	1,917
	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Long term assets	<b>126,536</b>	48,826
Current assets	<b>7,979</b>	6,828
Current liabilities	<b>(1,814)</b>	(1,911)
Long term liabilities	<b>(7,983)</b>	(30,897)

**9. Trade and Other Receivables**

	<b>30 June</b>	31 December
	<b>2004</b>	2003
	<b>(unaudited)</b>	(audited)
	<b>HK\$'000</b>	HK\$'000
Aging analysis of trade and other receivables (net of provision for doubtful debts):		
Current	<b>45,024</b>	38,804
One to three months	<b>15,940</b>	7,859
More than three months	<b>9,331</b>	17,145
	<b>70,295</b>	63,808

The Group allows an average credit period of 30 to 45 days to its trade customers.

**10. Listed Investments**

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Equity securities at market value:		
– Listed in Hong Kong	<b>74</b>	–
– Listed in Overseas	<b>21,011</b>	–
	<b>21,085</b>	–

**11. Trade and Other Payables**

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Aging analysis of trade and other payables:		
Current	<b>16,335</b>	14,455
One to three months	<b>3,910</b>	4,597
More than three months	<b>2,574</b>	4,709
	<b>22,819</b>	23,761

**12. Interest Bearing Bank Borrowings**

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Due within one year:		
Bank overdrafts – secured	<b>5,698</b>	6,095
Bank import loans – secured	<b>41,857</b>	33,295
	<b>47,555</b>	39,390

The Group's time deposits and guaranteed funds totalling approximately HK\$16,282,000 (31 December 2003: HK\$16,278,000) have been pledged to banks as security for general banking facilities granted.

**13. Share Capital****Ordinary shares**

	<b>Number of ordinary shares of HK\$0.01 each</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
1 January 2004 and 30 June 2004	15,000,000,000	150,000
<b>Issued and fully paid:</b>		
1 January 2004 and 30 June 2004	74,289,768	743

**14. Reserves**

	<b>Share premium account HK\$'000</b>	<b>Contributed surplus HK\$'000</b>	<b>Exchange fluctuation reserve HK\$'000</b>	<b>Retained profits/ accumulated losses) HK\$'000</b>	<b>Total HK\$'000</b>
<b>31 December 2002 (audited)</b>					
<b>and 1 January 2003</b>	46,317	83,274	11,270	(9,344)	131,517
Issue of new shares	12,900	-	-	-	12,900
Share issue expenses	(386)	-	-	-	(386)
Currency translation differences	-	-	(1,056)	-	(1,056)
Profit for the period	-	-	-	6,849	6,849
<b>30 June 2003 (unaudited)</b>	58,831	83,274	10,214	(2,495)	149,824
<b>31 December 2003 (audited)</b>					
<b>and 1 January 2004</b>	73,386	83,274	10,272	1,515	168,447
Currency translation differences	-	-	5	-	5
Profit for the period	-	-	-	5,042	5,042
<b>30 June 2004 (unaudited)</b>	73,386	83,274	10,277	6,557	173,494



## 15. Commitments

	<b>30 June 2004 (unaudited) HK\$'000</b>	31 December 2003 (audited) HK\$'000
Total minimum commitments under non-cancellable operating leases for land and buildings due:		
As lessee		
Within one year	<b>3,064</b>	2,980
In the second to fifth years, inclusive	<b>1,218</b>	1,476
	<b>4,282</b>	4,456
As lessor		
Within one year	<b>1,577</b>	1,577
In the second to fifth years, inclusive	<b>5,914</b>	6,309
After five years	<b>-</b>	394
	<b>7,491</b>	8,280

## 16. Related Party Transactions

		<b>Six months ended 30 June 2004 (unaudited) HK\$'000</b>	2003 (unaudited) HK\$'000
	<i>Notes</i>		
Consultancy fee paid to an associate		<b>-</b>	325
Rental income charged to an associate	(a)	<b>12</b>	80
General and administrative expenses charged to an associate		<b>-</b>	840
Interest income from associates	(b)	<b>217</b>	177

*Notes:*

- (a) The considerations were determined through negotiations between the respective parties.
- (b) Interest income was calculated at 5% per annum.

## 17. Subsequent Events

- (1) On 26 July 2004, the Company announced that Hai Yang Investment Limited, an indirect wholly owned subsidiary of the Company, entered into a deed with OHL currently a 51.56% subsidiary of the Company, for the assignment of debt of HK\$16,306,109.79 owed by a subsidiary of OHL to the Group, in exchange for 15,088,470 OHL new shares (the "Debt Assignment"). On the same day, OHL also announced to offer to the public in Australia 12,500,000 (minimum) to 14,000,000 (maximum) OHL new shares at A\$0.20 each (the "OHL Public Offer"). The Debt Assignment and the OHL Public Offer are scheduled to be completed on 3 October 2004. Upon successful completion of the Debt Assignment and OHL Public Offer, the Company will own 53.25% (minimum 12,500,000 OHL new shares) or 51.73% (maximum 14,000,000 OHL new shares). The circular containing details of the transactions has been dispatched to the shareholders on 10 August 2004.
- (2) On 26 August 2004, the Company announced that it would acquire 51.52% of Windsor Treasure Group (the "Proposed Acquisition") for total considerations of HK\$34,006,000, of which HK\$17,003,000 will be paid in cash and the remaining balance of HK\$17,003,000 by the issue of 17,003,000 new shares of the Company at HK\$1.00 each. A special general meeting of the Company is scheduled to be held on 7 October 2004 for the approval of the Proposed Acquisition and the circular on the Proposed Acquisition has been dispatched to the shareholders on 17 September 2004.