

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. SIGNIFICANT ACCOUNTING POLICIES

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.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

3. SEGMENTAL INFORMATION

The following tables present revenue and results for the Group's business segments (primary segments) for the six months ended 30 June 2004 and the comparative figures:

For the six months ended 30 June 2004

	Telephone accessories and power cords HK\$'000	Adaptors and electronic products HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Others HK\$'000	Photomask business HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE								
External sales	94,475	45,169	33,267	24,057	883	-	-	197,851
Inter-segment sales	13,542	-	-	-	15,156	-	(28,698)	-
Total revenue	<u>108,017</u>	<u>45,169</u>	<u>33,267</u>	<u>24,057</u>	<u>16,039</u>	<u>-</u>	<u>(28,698)</u>	<u>197,851</u>
RESULTS								
Segment results	<u>25</u>	<u>709</u>	<u>727</u>	<u>1,972</u>	<u>(9,044)</u>	<u>(48,080)</u>		(53,691)
Other operating income								<u>5,181</u>
Loss from operations								(48,510)
Finance costs								(4,937)
Share of results of jointly controlled entities					16,164			16,164
Share of result of an associate			5,909					<u>5,909</u>
Loss before taxation								(31,374)
Taxation								(1,496)
Minority interests								<u>(252)</u>
Loss for the period								<u>(33,122)</u>

Inter-segment sales are charged at prevailing market rates.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

3. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2003

	Telephone accessories and power cords HK\$'000	Adaptors and electronic products HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Others HK\$'000	Photomask business HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE								
External sales	88,959	28,687	31,402	21,893	11,883	-	-	182,824
Inter-segment sales	6,009	-	-	-	33,527	-	(39,536)	-
Total revenue	<u>94,968</u>	<u>28,687</u>	<u>31,402</u>	<u>21,893</u>	<u>45,410</u>	<u>-</u>	<u>(39,536)</u>	<u>182,824</u>
RESULTS								
Segment results	<u>(918)</u>	<u>216</u>	<u>989</u>	<u>1,230</u>	<u>(5,987)</u>	<u>-</u>		(4,470)
Other operating income								<u>7,420</u>
Profit from operations								2,950
Finance costs								(4,092)
Share of results of jointly controlled entities					3,277			3,277
Share of result of an associate			2,240					<u>2,240</u>
Profit before taxation								4,375
Taxation								(140)
Minority interests								<u>81</u>
Profit for the period								<u>4,316</u>

Inter-segment sales are charged at prevailing market rates.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

4. (LOSS) PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Amortisation of intangible assets (included in distribution costs)	1,337	1,267
Depreciation of property, plant and equipment	49,039	14,397
and after crediting:		
Dividend income from long term investment	–	3,019
Gain on disposals of property, plant and equipment	84	59
Interest income from bank deposits	481	1,545
	<u>481</u>	<u>1,545</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interest expenses on:		
Bank borrowings wholly repayable within five years	3,324	1,578
Convertible bonds	–	2,514
Finance lease charges wholly repayable within five years	1,613	–
	<u>4,937</u>	<u>4,092</u>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

6. TAXATION

	Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current period	200	113
Underprovision in prior year	–	136
Deferred taxation	202	(382)
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	402	(133)
	<hr/>	<hr/>
Share of taxation attributable to:		
A jointly controlled entity	200	33
An associate	894	240
	<hr/>	<hr/>
	1,094	273
	<hr/>	<hr/>
	1,496	140
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDEND

No dividend was paid during the period. The directors do not recommend the payment of any interim dividend.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the net loss for the period of approximately HK\$33,122,000 (six months ended 30 June 2003: net profit of HK\$4,316,000) and on the weighted average number of 1,198,309,078 (2003: 802,673,280) shares in issue throughout the period.

The computation of diluted loss per share for the current period does not assume the exercise of the Company's share options since their exercise would reduce the loss per share from continuing ordinary operations.

The computation of diluted earnings per share for the six months ended 30 June 2003 had not assumed the exercise of the Company's share options as their exercise prices were higher than the average market price of the Company's shares during that period and there was no dilution effect on the basic earnings per share for that period. In addition, the computation of diluted earnings per share for the six months ended 30 June 2003 had not assumed the conversion of the Group's outstanding convertible bonds as their exercise would result in an increase in net profit per share from continuing ordinary operations.

9. INVESTMENT PROPERTIES

The directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values as at 30 June 2004. Consequently, no revaluation surplus or deficit has been recognised in the current period.

10. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
COST	
At 1 January 2004	920,977
Additions	17,755
Disposals	(788)
	<u>937,944</u>
At 30 June 2004	937,944
DEPRECIATION	
At 1 January 2004	341,820
Provided for the period	49,039
Eliminated on disposals	(788)
	<u>390,071</u>
At 30 June 2004	390,071
NET BOOK VALUES	
At 30 June 2004	<u>547,873</u>
At 31 December 2003	<u>579,157</u>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

11. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	30 June 2004	31 December 2003
	HK\$'000	<i>HK\$'000</i>
Share of net assets	152,395	122,280
Amount due from a jointly controlled entity	4,446	6,189
	<u>156,841</u>	<u>128,469</u>

Particulars of the jointly controlled entities of the Group at 30 June 2004 are as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued ordinary share capital/registered capital indirectly held by the Company	Principal activities
Hoperise Industrial Limited	Incorporated	Hong Kong	50%	Copper wire drawing
深圳天際信和科技有限公司 Sky Light Communication (Shenzhen) Limited	Sino-foreign equity joint venture	The People's Republic of China (the "PRC")	75% *	Development and sales of the space information technical and multimedia software

* According to the joint venture agreement, the Group is able to exercise joint control in the operation thereof.

12. INTEREST IN AN ASSOCIATE

	30 June 2004	31 December 2003
	HK\$'000	<i>HK\$'000</i>
Share of net assets	<u>30,012</u>	<u>24,997</u>

The Group's unlisted equity interest as at 30 June 2004 represents a 28.74% (31 December 2003: 28.74%) equity interest in the registered capital of 天津普林電路有限公司 Tianjin Printronics Circuit Corporation, which is a Sino-foreign equity joint venture established in the PRC.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

13. TRADE AND BILLS RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 60 to 90 days of issuance, except for certain well established customers, where the terms are extended to 120 days. Each customer has a designated credit limit.

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
0 – 90 days	90,354	82,201
91 – 180 days	25,585	21,936
181 – 365 days	6,359	5,246
1 – 2 years	2,867	2,247
Over 2 years	449	530
	125,614	112,160

14. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
0 – 90 days	70,660	90,678
91 – 180 days	4,979	6,359
181 – 365 days	858	647
1 – 2 years	218	233
Over 2 years	266	123
	76,981	98,040



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

15. BANK BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$20,497,000. The loans bear interest at market rates and are repayable in instalments over a period of one to five years. The proceeds were mainly used to finance the acquisition of the Group's plant and equipment.

16. OBLIGATIONS UNDER FINANCE LEASES

During the period, the Group entered into finance leases of approximately HK\$77,769,000. The finance leases bear interest at market rates and are repayable in instalments over a period of three to four years. The leases were entered to finance the acquisition of the Group's plant and equipment.

17. SHARE CAPITAL

	Number of ordinary shares of HK\$0.25 each		Nominal amount	
	30 June 2004	31 December 2003	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Authorised:				
At beginning and end of the period/year	2,000,000,000	2,000,000,000	500,000	500,000
Issued and fully paid:				
At beginning of the period/year	1,193,703,583	802,673,280	298,426	200,668
Exercise of convertible bonds	–	303,030,303	–	75,758
Shares issued for cash	–	88,000,000	–	22,000
Exercise of share options	5,300,000	–	1,325	–
At end of the period/year	1,199,003,583	1,193,703,583	299,751	298,426

18. CONTINGENT LIABILITIES

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Discounted bills with recourse	2,894	1,690
Guarantees for banking facilities granted to a jointly controlled entity	129,888	99,349
	132,782	101,039



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

19. COMMITMENTS

At 30 June 2004, the Group had capital commitments in respect of the acquisition of property, plant and equipment contracted, but not provided for amounting to approximately HK\$16,069,000 (31 December 2003: HK\$4,902,000).

At 30 June 2004, the Group's share of the jointly controlled entity's capital commitments contracted, but not provided for amounted to approximately HK\$454,000 (31 December 2003: HK\$730,000).

20. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant related party transactions:

	<i>Notes</i>	Six months ended 30 June	
		2004 HK\$'000	2003 HK\$'000
Management fees paid to a controlling shareholder	<i>(i)</i>	480	600
Management fees paid to a related company	<i>(ii)</i>	240	240
Rentals paid to a related company	<i>(iii)</i>	372	396
Sales to a jointly controlled entity	<i>(iv)</i>	6,261	6,493
Utility expenses charged to a jointly controlled entity	<i>(v)</i>	5,934	5,706
Purchases from a jointly controlled entity	<i>(vi)</i>	17,145	11,940
Management fees received from a jointly controlled entity	<i>(vii)</i>	640	-
		640	-



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2004

20. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) Management fees of HK\$480,000 were paid to Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a controlling shareholder of the Company, for the provision of management services to the Group at rates agreed by both parties.
- (ii) Management fees of HK\$240,000 were paid to Shougang Concord International Enterprises Company Limited ("Shougang International"), a subsidiary of Shougang Holding, for the provision of management services to the Group at rates agreed by both parties.
- (iii) Rentals paid to Good News Investment Limited, a wholly-owned subsidiary of Shougang International, relating to the premises occupied and used by the Group as its office, were determined by reference to the prevailing market rentals.
- (iv) Sales to a jointly controlled entity were made according to the comparable market prices and conditions offered to those major customers of the Group.
- (v) Utility expenses charged to a jointly controlled entity were related to the recharge of certain utility costs incurred by it. The recharge was based on the actual costs incurred.
- (vi) Purchases from a jointly controlled entity were made according to the comparable market prices and conditions offered by similar suppliers to the Group.
- (vii) Management fees were received from a jointly controlled entity for the provision of management services by the Group were charged at rates agreed by both parties.

21. POST BALANCE SHEET EVENT

Subsequent to 30 June 2004, the Group established a jointly controlled entity, 深圳天地導航科技有限公司 Sky Land Navigator Technology (Shenzhen) Limited ("Sky Land"), with an equity interests of 75% in which the Group is able to exercise joint control in the operation thereof. Sky Land is established in the PRC with registered capital of RMB20,000,000 and is engaged in development and integration, sales, service for software and hardware in the intelligent traffic field.

22. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation. In the opinion of the directors, the reclassification provides a better presentation of the Group's financial statements.

