NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

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 the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for investment properties which are measured at revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of jointly controlled entities and an associate have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

(a) Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provision. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated.

(c) Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" which has no material effect on the presentation of the Group's financial statements and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and liability

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments (continued)

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of the Statement of Standard Accounting Practice 24 issued by the HKICPA) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)", "Other financial liabilities" are carried at amortised cost using the effective interest method. However, there has been no material effect on how the results for the current accounting period are prepared and presented.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005. As a result, the Group's bill receivables with full recourse which were derecognised prior to 1 January 2005 have not been restated. As at 30 June 2005, the Group's bills receivables with full recourse have not been derecognised. Instead, the related borrowings of HK$3,987,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in Note 2 on the results for the current and prior period are as follows:

	HK$'000
For the six months ended 30 June 2005 (Unaudited)	
Decrease in share of results of jointly controlled entities	(134)
Decrease in share of result of an associate	(577)
Decrease in income tax expenses	711
Expenses in relation to share option granted to employees	(4,387)
Increase in loss for the period	(4,387)
For the six months ended 30 June 2004 (Unaudited)	
Decrease in share of results of jointly controlled entities	(200)
Decrease in share of result of an associate	(894)
Decrease in income tax expenses	1,094
Expenses in relation to share option granted to employees	(4,387)
Increase in loss for the period	(4,387)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (originally stated)	Retrospective adjustments HKAS 1	HKAS 17	As at 31 December 2004 and 1 January 2005 (restated)
	HK$'000	*HK$'000* *(Note 2)*	*HK$'000* *(Note 2a)*	*HK$'000*
Property, plant and equipment	541,603	–	(9,344)	532,259
Prepaid lease payments	–	–	9,344	9,344
Other net assets	177,795	–	–	177,795
Total effects on assets and liabilities	719,398	–	–	719,398
Minority interests	(9,375)	9,375	–	–
	710,023	9,375	–	719,398
Share capital	299,751	–	–	299,751
Reserves	410,272	–	–	410,272
Minority interests	–	9,375	–	9,375
Total effects on equity	710,023	9,375	–	719,398
Minority interests	9,375	(9,375)	–	–
	719,398	–	–	719,398

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarised below:

	As originally stated	**HKAS 1**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
		(Note 2)	
Share capital	298,426	–	298,426
Reserves	502,542	–	502,542
Equity holders of the parent	800,968	–	800,968
Minority interests	–	9,605	9,605
Total effects on equity	800,968	9,605	810,573

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group:

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plan and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS – INT 4	Determining whether an Arrangement Contains a Lease
HKFRS – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

4. SEGMENTAL INFORMATION

The Group's primary format for reporting segment information is business segment. The following tables present revenue and results for the Group's business segments for the six months ended 30 June 2005 and the comparative figures:

For the six months ended 30 June 2005

	Telephone accessories and power cords	Adaptors and electronic products	Printed circuit boards	High precision metal components	Photomask business	Others	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	92,272	46,515	26,111	29,744	6,693	5,634	–	206,969
Inter-segment sales	15,457	3,960	315	–	–	10,531	(30,263)	–
Total revenue	107,729	50,475	26,426	29,744	6,693	16,165	(30,263)	206,969
RESULTS								
Segment results	(6,937)	(568)	(3,365)	1,181	(51,596)	2,828		(58,457)
Unallocated corporate expenses								(12,000)
Other operating income								3,674
Gain on fair value changes on investment properties								8,353
Loss from operations								(58,430)
Finance costs								(5,818)
Share of results of jointly controlled entities						9,786		9,786
Share of result of an associate			5,693					5,693
Loss before taxation								(48,769)
Taxation								(2)
Loss for the period								(48,771)

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

4. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2004

	Telephone accessories and power cords	Adaptors and electronic products	Printed circuit boards	High precision metal components	Photomask business	Others	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	108,017	45,169	33,267	24,057	–	16,039	(28,698)	197,851
RESULTS								
Segment results	25	709	727	1,972	(48,080)	(2,615)		(47,262)
Unallocated corporate expenses								(10,816)
Other operating income								5,181
Loss from operations								(52,897)
Finance costs								(4,937)
Share of results of jointly controlled entities						15,964		15,964
Share of result of an associate			5,015					5,015
Loss before taxation								(36,855)
Taxation								(402)
Loss for the period								(37,257)

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

5. FINANCE COSTS

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings wholly repayable within five years	**3,302**	3,324
Finance lease charges	**2,516**	1,613
	5,818	4,937

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Amortisation of intangible assets (included in distribution costs)	**–**	1,337
Depreciation of property, plant and equipment	**50,711**	49,039
and after crediting:		
Gain on disposals of property, plant and equipment	**71**	84
Interest income from bank deposits	**224**	481
Share of tax of an associate (included in share of result of an associate)	**577**	894
Share of tax of jointly controlled entities (included in share of result of jointly controlled entities)	**134**	200

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

7. TAXATION

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
Current Tax:		
Hong Kong	**100**	200
Deferred tax	**(98)**	202
	2	402

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the periods.

8. DIVIDEND

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

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of approximately HK$49,227,000 (six months ended 30 June 2004: HK$37,509,000 as restated) and on the 1,199,003,583 (2004: six months ended 30 June 2004: weighted average number of 1,198,309,078) ordinary shares in issue during the period.

The Company has no potential ordinary shares outstanding for the current period. The computation of diluted loss per share for the six months ended 30 June 2004 did not assume the exercise of the Company's share options since their exercise would reduce the loss per share.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

10. INVESTMENT PROPERTIES

	HK$'000
At 1 January 2005	27,450
Change in fair value	8,353
Transfer from property, plant and equipment *(note 11)*	2,372
Transfer to non-current assets classified as held for sale *(note 16)*	(29,100)
At 30 June 2005	9,075

The Group's investment properties were fair-valued by the Directors based on the open market values at 30 June 2005 by reference to valuation performed by independent professional valuers. The resulting increase in fair value of investment properties of approximately HK$8,353,000 has been recognised directly in the income statement.

11. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
COST	
At 1 January 2005	
– As originally stated	957,428
– Reclassified to prepaid lease payments	(9,937)
– As restated	947,491
Additions	3,993
Disposals	(936)
Transfer to investment properties *(note 10)*	(3,826)
Transfer to non-current assets classified as held for sale *(note 16)*	(4,200)
At 30 June 2005	942,522
DEPRECIATION	
At 1 January 2005	
– As originally stated	415,825
– Reclassified to prepaid lease payments	(593)
– As restated	415,232
Provided for the period	50,711
Eliminated on disposals	(290)
Transfer to investment properties *(note 10)*	(1,454)
Transfer to non-current assets classified as held for sale *(note 16)*	(315)
At 30 June 2005	463,884
NET BOOK VALUES	
At 30 June 2005	478,638
At 1 January 2005 (restated)	532,259

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

12. INTEREST IN JOINTLY CONTROLLED ENTITIES

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Share of net assets	**181,396**	181,610
Amount due from a jointly controlled entity	**–**	1,003
	181,396	182,613

13. INTEREST IN AN ASSOCIATE

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
Share of net assets	**41,078**	35,385

14. 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 trade and bills receivables as at the balance sheet date, based on the invoice date, and net of allowance, is as follows:

	30 June 2005 *HK$'000*	31 December 2004 *HK$'000*
0 – 90 days	**93,282**	86,305
91 – 180 days	**18,359**	28,204
181 – 365 days	**5,818**	1,557
1 – 2 years	**54**	86
Over 2 years	**261**	14
	117,774	116,166

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

15. BALANCES WITH A JOINTLY CONTROLLED ENTITY, A RELATED COMPANY AND A SHAREHOLDER

The balances are unsecured and repayable on demand. Except for the amount due to a related company amounting to approximately HK$28,302,000 which bears interest at 3% per annum, the remaining balances are non-interest bearing.

16. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Subsequent to 30 June 2005, a property was sold for a total consideration of HK$38,800,000. The carrying value of the property as at 30 June 2005 was HK$32,985,000, of which HK$29,100,000 was transferred from investment properties, HK$3,885,000 was transferred from property, plant and equipment.

17. TRADE AND BILLS PAYABLES

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

	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
0 – 90 days	**56,463**	72,089
91 – 180 days	**5,272**	10,320
181 – 365 days	**1,266**	775
1 – 2 years	**249**	19
Over 2 years	**16**	2
	63,266	83,205

18. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately of HK$23,662,000 and repaid HK$10,085,000. The loans bear interest at market rates and are repayable in instalments over a period of one to five years. The proceeds were used to finance the purchase of raw materials and acquisition of plant and equipment.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

19. SHARE CAPITAL

	Number of shares	**Nominal value** *HK$'000*
Ordinary shares of HK$0.25 each		
Authorised:		
At 31 December 2004 and 30 June 2005	2,000,000,000	500,000
Issued and fully paid:		
At 31 December 2004 and 30 June 2005	1,199,003,583	299,751

20. CONTINGENT LIABILITIES

	30 June 2005 ***HK$'000***	31 December 2004 *HK$'000*
Discounted bills with recourse	–	10,018
Guarantees for banking facilities granted to a jointly controlled entity	**86,358**	115,592
	86,358	125,610

21. COMMITMENTS

At 30 June 2005, the Group had capital commitments in respect of the acquisition of property, plant and equipment contracted but not provided for amounting to approximately HK$964,000 (31 December 2004: HK$278,000).

At 30 June 2005, the Group's share of the jointly controlled entity's capital commitments contracted, but not provided for amounted to approximately HK$66,000 (31 December 2004: HK$207,000).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

22. RELATED PARTY TRANSACTIONS

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

	Notes	Six months ended 30 June 2005 HK$'000	Six months ended 30 June 2004 HK$'000
Management fees paid to controlling shareholders	*(i)*	**480**	480
Management fees paid to a related company	*(ii)*	**240**	240
Rental paid to a related company	*(iii)*	**408**	372
Sales to a jointly controlled entity	*(iv)*	**6,810**	6,261
Utility expenses charged to a jointly controlled entity	*(v)*	**4,932**	5,934
Purchases from a jointly controlled entity	*(vi)*	**19,237**	17,145
Purchases from related companies	*(vii)*	**2,447**	–
Management fees received from a jointly controlled entity	*(viii)*	**490**	640

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) Rental 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 and agreed by both parties.

(iv) Sales to a jointly controlled entity were made according to terms determined and agreed by both parties.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Utility expenses charged to a jointly controlled entity were related to the reimbursement of certain utility costs incurred by it. The reimbursement was based on the actual costs incurred.

(vi) Purchases from a jointly controlled entity were made according to terms determined and agreed by both parties.

(-vii) Purchases from Hing Cheong Metals (China & Hong Kong) Limited and Meta International Limited, both wholly-owned subsidiaries of Shougang Concord Century Holdings Limited of which Shougang Holding is also a substantial shareholder, were made according to terms determined and agreed by both parties.

(viii) Management fees from a jointly controlled entity for the provision of management services were charged at rates agreed by both parties.