

STATEMENT OF RECOGNISED GAINS AND LOSSES  
FOR THE SIX MONTHS ENDED 30 JUNE 2001

	Unaudited	
	Six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Revaluation surplus on leasehold land and buildings	880	–
(Loss)/profit for the period	<u>(8,567)</u>	<u>7,136</u>
Total recognised gains and losses	<u>(7,687)</u>	<u>7,136</u>

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

**1 Basis of preparation and accounting policies**

The unaudited condensed consolidated interim accounts have been prepared in compliance with Statement of Standard Accounting Practice (“SSAP”) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

The condensed interim accounts should be read in conjunction with the 2000 annual accounts.

The accounting policies and methods of computation used in the preparation of these condensed interim accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2000, except that the Group has changed certain of its accounting policy following its adoption of the following Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 26:	Segment reporting

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) *SSAP 9 (revised) Events after balance sheet date*

In accordance with SSAP 9 (revised), the Group no longer recognises dividend proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparative figures presented have been restated to conform to the changed policy.

As detailed in Note 13, opening retained earnings at 1 January 2000 have increased by HK\$3,979,000, which is the reversal of the provision for the 1999 proposed final dividends previously recorded as a liability as at 31 December 1999 although not declared until after the balance sheet date. Opening retained earnings at 1 January 2001 have increased by HK\$1,990,000, which is the reversal of the provision for 2000 proposed final dividends previously recorded as liability as at 31 December 2000 although not declared until after the balance sheet date.

This adjustment has resulted in a decrease in current liabilities at 31 December 2000 by HK\$1,990,000 for provision for proposed dividends that is no longer required.

Changes to headings used in the previously reported 31 December 2000 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) *SSAP 26 Segment reporting*

In Note 2 to these condensed interim accounts the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that the business segments be presented as the primary reporting format and geographical as the secondary reporting figure. Comparative information has been given.

## 2 Turnover, revenue and segment information

The Group is principally engaged in the manufacturing and trading of electric cable and wire products.

Revenues recognised during the period are as follows:

	Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Turnover		
Sale of goods	95,217	120,738
Other revenue		
Interest income	5	84
Total revenues	<u>95,222</u>	<u>120,822</u>

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

### Business segment

	Six months ended 30 June 2001			Group HK\$'000
	Trading of cable and wire products HK\$'000	Investment holding HK\$'000	Manufacturing of cable and wire products HK\$'000	
Revenues	<u>-</u>	<u>-</u>	<u>95,222</u>	<u>95,222</u>
Segment results	<u>-</u>	<u>1,000</u>	<u>16,285</u>	<u>17,285</u>
Unallocated cost				<u>(23,748)</u>
Operating loss				<u>(6,463)</u>
Finance costs				<u>(1,939)</u>
Loss before taxation				<u>(8,402)</u>
Taxation				<u>(165)</u>
Loss attributable to shareholders				<u>(8,567)</u>

	Six months ended 30 June 2000			Group HK\$'000
	Trading of cable and wire products HK\$'000	Investment holding HK\$'000	Manufacturing of cable and wire products HK\$'000	
Revenues	<u>151</u>	<u>–</u>	<u>120,671</u>	<u>120,822</u>
Segment results	<u>–</u>	<u>–</u>	<u>26,718</u>	<u>26,718</u>
Unallocated cost				<u>(16,896)</u>
Operating profit				9,822
Finance costs				<u>(2,066)</u>
Profit before taxation				7,756
Taxation				<u>(620)</u>
Profit attributable to shareholders				<u>7,136</u>

An analysis of the Group's turnover for the period by geographical segment is as follows:

*Geographical segment*

	Turnover	
	2001 HK\$'000	2000 HK\$'000
Hong Kong	67,123	83,082
Mainland China	7,551	16,241
Singapore	5,174	5,733
America	4,802	5,978
South Africa	3,373	–
Europe	2,432	2,123
Thailand	1,245	4,857
Australia	561	159
New Zealand	1,654	1,621
Others	<u>1,302</u>	<u>944</u>
	<u>95,217</u>	<u>120,738</u>

No analysis of the contribution to trading results by principal market has been prepared as no contribution to the profit from any of the above principal markets is substantially out of line with the normal ratio of profit or loss to turnover.

### 3 Operating (loss)/profit

Operating (loss)/profit is stated after charging the following:

	Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Cost of inventories	60,105	76,328
Auditors' remuneration	335	250
Depreciation		
Owned fixed assets other than leasehold land	4,793	3,500
Fixed assets held under hire purchase contracts	508	1,147
Amortisation of leasehold land	240	82
Provision for bad and doubtful debts	49	–
Staff costs	12,901	11,649
Operating lease rentals in respect of land and buildings	178	241
Loss on disposal of fixed assets	–	18
	<u>          </u>	<u>          </u>

### 4 Finance costs

	Six months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts	1,840	1,772
Interest element of hire purchase contracts	99	294
	<u>          </u>	<u>          </u>
	<u>1,939</u>	<u>2,066</u>

**5 Taxation**

Hong Kong profits tax is calculated at 16% (2000:16%) on the estimated assessable profit for the period.

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax	–	620
Underprovisions in prior years	<b>165</b>	–
	<u>165</u>	<u>620</u>

**6 Dividends**

	<b>Six months ended 30 June</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
2000 Final dividends paid, of HK\$0.01 (1999 Final dividends paid: HK\$0.02) per ordinary share	<b>1,990</b>	3,979
	<u>1,990</u>	<u>3,979</u>

**7 (Loss)/earnings per share**

The calculation of basic loss per share is based on the Group's loss for the six months ended 30 June 2001 of HK\$8,567,000 (30 June 2000: profit of HK\$7,136,000) and on the weighted average number of 198,958,000 (30 June 2000: 198,958,000) ordinary shares in issue during the period.

**8 Fixed assets**

	<b>Property, plant and machinery</b>
<i>Six months ended 30 June 2001</i>	<i>HK\$'000</i>
Opening net book amount	131,314
Additions	2,848
Depreciation and amortisation	(5,541)
Revaluation	(1,346)
	<u>127,275</u>
Closing net book amount	<u>127,275</u>

**9 Trade receivables**

The ageing analysis of trade receivables is as follows:

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Current – 3 months	<b>38,867</b>	47,574
4 – 6 months	<b>3,705</b>	4,051
Over 6 months	<b>729</b>	887
	<b><u>43,301</u></b>	<u>52,512</u>

Payment terms with customers are largely on credit with the exception of new customers, which are on cash on delivery basis. Invoices are normally payable within 60 to 90 days of issuance.

At 30 June 2001, certain trade receivables of HK\$3,581,000 (31 December 2000: HK\$Nil) has been factored to secure the short-term bank loan of HK\$3,020,000.

**10 Deposits, prepayments and other receivables**

Included in deposits, prepayments and other receivables are loans to directors as follows:

<b>Name</b>	<b>Terms of the loan</b>	<b>Maximum amount outstanding during the period HK\$'000</b>	<b>Amount outstanding at 30 June 2001 HK\$'000</b>	<b>Amount outstanding at 31 December 2000 HK\$'000</b>
Mr. Li Ho Cheong	Unsecured, interest bearing at 3% per annum and repayable on demand	316	316	305
Mr. Mon Chung Hung	Unsecured, non-interest bearing and repayable on demand	9	9	–

At 30 June 2001, the amount of interest due but not yet paid amounted to HK\$9,000 (31 December 2000: HK\$5,000).

**11 Trade payables**

The ageing analysis of trade payables is as follows:

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Current – 3 months	20,324	22,327
4 – 6 months	3,483	3,596
Over 6 months	556	700
	<u>24,363</u>	<u>26,623</u>

**12 Share capital**

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.10 each	<u>19,896</u>	<u>19,896</u>

## 13 Reserves

	Share premium HK\$'000	Arising on consolidation HK\$'000	Land and buildings revaluation HK\$'000	Capital redemption HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2000 as Previously reported	15,885	11,808	4,906	104	72,601	105,304
Effect on adopting SSAP 9 (revised)	—	—	—	—	3,979	3,979
At 1 January 2000 as restated	15,885	11,808	4,906	104	76,580	109,283
1999 Final dividend paid	—	—	—	—	(3,979)	(3,979)
Profit attributable to shareholders	—	—	—	—	4,710	4,710
At 31 December 2000	<u>15,885</u>	<u>11,808</u>	<u>4,906</u>	<u>104</u>	<u>77,311</u>	<u>110,014</u>
Reserves	15,885	11,808	4,906	104	75,321	108,024
2000 Final dividend proposed	—	—	—	—	1,990	1,990
	<u>15,885</u>	<u>11,808</u>	<u>4,906</u>	<u>104</u>	<u>77,311</u>	<u>110,014</u>
Opening reserves as at 1 January 2001 as previously reported	15,885	11,808	4,906	104	75,321	108,024
Effect on adopting SSAP 9 (revised)	—	—	—	—	1,990	1,990
At 1 January 2001 as restated	15,885	11,808	4,906	104	77,311	110,014
2000 Final dividend paid	—	—	—	—	(1,990)	(1,990)
Revaluation surplus on leasehold land and buildings	—	—	880	—	—	880
Loss attributable to shareholders	—	—	—	—	(8,567)	(8,567)
At 30 June 2001	<u>15,885</u>	<u>11,808</u>	<u>5,786</u>	<u>104</u>	<u>66,754</u>	<u>100,337</u>
Reserves	<u>15,885</u>	<u>11,808</u>	<u>5,786</u>	<u>104</u>	<u>66,754</u>	<u>100,337</u>

**14 Long-term liabilities**

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Bank loans – secured ( <i>note 14(a)</i> )	<b>16,184</b>	18,119
Obligations under hire purchase contracts ( <i>note 14(b)</i> )	<b>1,970</b>	2,378
Deferred taxation	<b>1,948</b>	1,948
	<b>20,102</b>	22,445
Current portion of long-term liabilities	<b>(5,239)</b>	(5,347)
	<b>14,863</b>	17,098

*(a) Bank loans – secured*

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Bank loans – secured ( <i>note 15</i> )		
Wholly repayable within five years	<b>5,250</b>	6,750
Not wholly repayable within five years	<b>10,934</b>	11,369
	<b>16,184</b>	18,119
Less: Amount repayable within one year included in current liabilities	<b>(4,022)</b>	(3,835)
	<b>12,162</b>	14,284
Bank loans are repayable in the following periods:		
– Within one year	<b>4,022</b>	3,835
– More than one year but not exceeding two years	<b>3,329</b>	3,915
– More than two years but not exceeding five years	<b>3,596</b>	2,737
– More than five years	<b>5,237</b>	7,632
	<b>16,184</b>	18,119

## (b) Obligations under hire purchase contracts – minimum payments:

	<b>30 June 2001 HK\$'000</b>	31 December 2000 HK\$'000
Within one year	1,321	1,625
In the second year	609	805
In the third to fifth year	<u>181</u>	<u>124</u>
	<b>2,111</b>	2,554
Future finance charges on finance leases	<u>(141)</u>	<u>(176)</u>
Present value of finance lease liabilities	<u><b>1,970</b></u>	<u>2,378</u>
The present value of finance lease liabilities is as follows:		
Within one year	1,217	1,512
In the second year	577	747
In the third to fifth year	<u>176</u>	<u>119</u>
	<u><b>1,970</b></u>	<u>2,378</u>

**15 Pledge of assets**

At 30 June 2001, the Group's banking facilities amounting to approximately HK\$77 million (31 December 2000: HK\$74 million) were secured by the following:

- (a) legal charges over certain land and buildings of the Group with a total net book value of HK\$38,200,000 (31 December 2000: HK\$41,120,000);
- (b) corporate guarantees given by the Company;
- (c) letters of undertaking from the Company and a subsidiary covenanting that their tangible net worth will be maintained at not less than HK\$45 million and HK\$10 million respectively; and
- (d) a deed of guarantee executed by the Company and its subsidiary amounting to HK\$36 million (31 December 2000: HK\$30 million).

**16 Contingent liabilities**

- (a) At 30 June 2001, 13 (31 December 2000: 12) employees have completed the required number of years of service under the Employment Ordinance (“the Ordinance”) to be eligible for long service payment on termination of their employment. The Group is only liable to make such payment where the termination meets the circumstances specified in the Ordinance. If the termination of all these employees meets the circumstances specified in the Ordinance, the Group’s liability at 30 June 2001 would be HK\$1,302,000 (31 December 2000: HK\$1,201,000). Provision of HK\$347,000 (31 December 2000: HK\$347,000) has been made in the accounts as at 30 June 2001. The short fall of HK\$955,000 (31 December 2000: HK\$854,000) has not been provided for in the accounts as at 30 June 2001, as in the opinion of the Directors, the amount will not crystallise in the foreseeable future.
- (b) A review has been conducted by the Shenzhen Bu Ji Tax Bureau in the People’s Republic of China, in connection with certain taxation affairs of the Group. It is estimated that the contingent liabilities in relation to the above would be in the region of RMB3.5 million.