

## 1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated on 5 July 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire issued share capital of Sunlink Technologies Holdings Limited and thereby became the holding company of the Group on 20 December 2002. Details of the Group Reorganisation are set out in the prospectus dated 18 February 2003 issued by the Company.

On 25 February 2003, 60,000,000 new ordinary shares of the Company of HK\$0.1 each were issued at HK\$0.5 per share for cash through an initial public offering by way of placing and public offer. On the same date, 339,000,000 ordinary shares of HK\$0.1 each were allotted and issued, credited as fully paid at par, to the holders of shares of the Company on the register of members at the close of business on 12 February 2003 in proportion to their existing holding by way of capitalization of the sum of HK\$33,900,000 standing at the credit of the share premium account of the Company following the placing and public offer mentioned above ("Capitalisation Issue").

The shares of the Company have been listed on the Stock Exchange with effect from 3 March 2003.

The condensed consolidated income statement for the six months ended 30 June 2002 has been prepared on a combined basis as if the current structure had been in existence during that period.

## 1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the condensed consolidated balance sheet as at 31 December 2002 has been prepared on a merger accounting basis in accordance with Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for Group Reconstructions" issued by the Hong Kong Society of Accountants ("HKSA").

The condensed consolidated 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 (the "Listing Rules") and with SSAP 25 "Interim financial reporting" issued by the HKSA.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investment in securities.

The condensed consolidated financial statements have been prepared in accordance with accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 December 2002 except as mentioned below.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current period, the Group has adopted SSAP 12 (Revised) "Income taxes" issued by the HKSA, which is effective for accounting periods commencing on or after 1 January 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. However, the adoption of the standard has had no material effect on the results for current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments:

For the six months ended 30 June 2003

	Distribution of semiconductors HK\$'000	Development and provision of electronic turnkey device solutions HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>Revenue</b>				
External sales	147,303	7,810	—	155,113
Inter-segment sales	298	2,587	(2,885)	—
	147,601	10,397	(2,885)	155,113
<b>Segment results</b>	4,563	(2,280)	—	2,283
Unallocated corporate revenue				218
Profit from operations				2,501
Finance costs				(1,721)
Profit before taxation				780
Taxation				—
Profit before minority interests				780
Minority interests				(11)
Profit for the period				769

## 3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2002

	Distribution of semiconductors HK\$'000	Development and provision of electronic turnkey device solutions HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
<b>Revenue</b>				
External sales	172,776	14,294	—	187,070
Inter-segment sales	174	1,058	(1,232)	—
	172,950	15,352	(1,232)	187,070
Segment results	16,639	3,627	—	20,266
Unallocated corporate revenue				82
Profit from operations				20,348
Finance costs				(1,147)
Profit before taxation				19,201
Taxation				(2,065)
Profit before minority interests				17,136
Minority interests				(1,154)
Profit for the period				15,982

## 4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Commission income	270	1,800
Compensation income	287	519
Interest income	218	82
Management service income	48	634
Programming income	23	223
Release of negative goodwill	49	8
Rental income	45	65
Sundry income	850	764
	<b>1,790</b>	<b>4,095</b>

## 5. PROFIT FROM OPERATIONS

Profit from operations have been arrived at after charging:

	Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Amortisation of goodwill included in general and administrative expenses	388	203
Depreciation and amortisation of property, plant and equipment	518	631
Loss on disposal of property, plant and equipment	364	—

## 6. FINANCE COSTS

	Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings wholly repayable within five years	1,324	794
Interest on other borrowings	394	351
Charges on a finance lease	3	2
	1,721	1,147

## 7. TAXATION

	Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current period	—	2,215
Overprovision in prior year	—	(150)
	—	2,065

No provision for Hong Kong Profits Tax has been made in the financial statements as there is no assessable profit for the period.

Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for the prior period.

## 8. DIVIDEND

	Six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000
Dividends declared by subsidiaries of the Company to the then shareholders prior to the Group Reorganisation	—	5,940

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2003.

In addition, interim dividends declared in December 2002 of HK\$10,000,000 was paid during the period.

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period ended 30 June 2003 is based on the profit for the period of HK\$769,000 and on 380,000,000 weighted average shares for the purpose of basic earnings per share.

The calculation of the basic earnings per share for the period ended 30 June 2002 is based on the profit for the period of HK\$15,982,000 and on 340,000,000 shares issuable on the assumption that issue of shares of the Company upon Group Reorganisation and the Capitalisation Issue, deemed to be outstanding throughout the period.



## 10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group's investment properties were valued at their open market value at 31 December 2002 by BMI Appraisals Limited, an independent valuer, on an open market value basis.

The directors have considered the carrying value of the Group's investment properties at 30 June 2003 would not materially differ from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

During the period, the Group acquired additional plant and equipment at costs of approximately HK\$303,000 for its business operation and expansion.

## 11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period of 14 to 90 days to its trade customers. For certain customers with long-established relationship and good past settlement histories, a longer credit period may be granted.

An aged analysis of trade debtors is as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Within 30 days	30,005	36,795
Between 31 to 60 days	15,799	29,925
Over 60 days	57,553	38,141
	103,357	104,861
Other debtors, deposits and prepayments	28,780	29,417
	132,137	134,278

## 12. CREDITORS AND ACCRUED CHARGES

An aged analysis of the trade creditors is as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Within 30 days	18,118	25,476
Between 31 to 60 days	13,398	18,889
Over 60 days	7,218	10,623
Other creditors and accrued charges	38,734 14,992	54,988 22,620
	53,726	77,608

Included in other creditors and accrued charges are other borrowings which were interest bearing of HK\$6,086,000 as at 30 June 2003 (31 December 2002: HK\$13,535,000).

## 13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each:		
Authorised		
On incorporation	3,800,000	380
Increase on 20 December 2002	996,200,000	99,620
At 31 December 2002 and 30 June 2003	1,000,000,000	100,000
Issued and fully paid:		
Allotted and issued nil paid on incorporation	1	—
Allotted and issued nil paid on 2 December 2002	99	—
Issue of shares upon the Group Reorganisation	999,900	100
At 31 December 2002	1,000,000	100
Issue of shares upon the placing and public offer	60,000,000	6,000
Capitalisation issue	339,000,000	33,900
At 30 June 2003	400,000,000	40,000

## 13. SHARE CAPITAL (Continued)

The following changes in the share capital of the Company took place during the period from 5 July 2002 (date of incorporation) to 30 June 2003:

- (a) The Company was incorporated on 5 July 2002 with an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each. At the time of incorporation, 1 ordinary share of HK\$0.1 each was allotted and issued nil paid. On 2 December 2002, the Company allotted and issued 99 ordinary shares of HK\$0.1 each nil paid.
- (b) Pursuant to written resolutions of the shareholders of the Company passed on 20 December 2002:
  - (i) the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of an additional 996,200,000 new ordinary shares of HK\$0.1 each. The new shares rank *pari passu* in all respects with the existing shares;
  - (ii) as consideration for the acquisition of the entire issued shares capital of Sunlink Technologies Holdings Limited and its subsidiaries, the Company has issued an aggregate of 999,900 ordinary shares, credited as fully paid under the Group Reorganisation which took place on 20 December 2002. The difference between the deemed consideration and the aggregate par value of the shares issued has been credited to share premium account; and
  - (iii) an amount of HK\$100,000 credited to the share premium of the Company arising from the issue of 999,900 shares in acquisition of the entire issued share capital of Sunlink Technologies Holdings Limited and its subsidiaries above was applied in paying full at par value the 1 ordinary share and 99 ordinary shares, which were allotted and issued nil paid on the date of incorporation and 2 December 2002 respectively.

## 13. SHARE CAPITAL (Continued)

- (c) On 25 February 2003, 60,000,000 new ordinary shares of the Company of HK\$0.1 each were issued at HK\$0.5 per share for cash through an initial public offering by way of placing and public offer. On the same date, 339,000,000 ordinary shares of HK\$0.1 each were allotted and issued, credited as fully paid at par, to the holders of shares of the Company on the register of members at the close of business on 12 February 2003 in proportion to their existing holding by way of capitalisation of the sum of HK\$33,900,000 standing at the credit of the share premium account of the Company following the placing and public offer mentioned above.

The share capital of 31 December 2002 as shown in the consolidated balance sheet represented the aggregate amount of the nominal value of the share capital and share premium of the subsidiaries, acquired by the Company pursuant to the Group Reorganisation.

## 14. PLEDGE OF ASSETS

The Group had pledged the following assets to secure general banking facilities at the balance sheet date:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Bank deposits	18,053	18,008
Investment in securities	2,964	2,964
Investment properties	1,814	1,814
Leasehold land and buildings	6,171	6,246
	<b>29,002</b>	<b>29,032</b>