



NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2003

1. Accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting".

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are the same as those used in the audited annual financial statements for the year ended 31 December 2002, except for SSAP 12 (Revised) "Income taxes" which has been adopted for the first time in the preparation of the current Period's unaudited condensed consolidated financial statements.

A summary of the major effects is as follows:

SSAP 12 (Revised) principally prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax is provided using the income statement liability method on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future, a deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts 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.

This change in accounting policy has resulted in an increase in the Group's deferred tax assets as at 30 June 2003 and 31 December 2002 by approximately HK\$1,891,000 and HK\$2,511,000, respectively, deferred tax liabilities by approximately HK\$323,000 and HK\$298,000, respectively. As a consequence, the Group's net profit attributable to shareholders for the six months ended 30 June 2003 and 2002 has been decreased by approximately HK\$666,000 and HK\$1,458,000, respectively, and the consolidated retained profits as at 1 January 2003 and 2002 have been increased by approximately HK\$2,106,000 and HK\$2,586,000, respectively.



Interim Report 2003

2. Turnover and segment information

The analysis of the Group's revenue and results by business segments and geographical segments is as follows:

(a) Business segments

The following table presents revenue and results of the Group by business segments for the six months ended 30 June 2003 and 2002.

	Electronic components and electrical products		Trading of raw materials		Corporate and others		Consolidated	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (restated)
Segment revenue:								
Sales to external customers	236,099	207,578	11,098	5,578	6,300	26,992	253,497	240,148
Other revenue and gains	-	-	-	-	3,509	400	3,509	400
Total	<u>236,099</u>	<u>207,578</u>	<u>11,098</u>	<u>5,578</u>	<u>9,809</u>	<u>27,392</u>	<u>257,006</u>	<u>240,548</u>
Segment results	<u>20,452</u>	<u>16,899</u>	<u>560</u>	<u>396</u>	<u>(614)</u>	<u>(1,881)</u>	<u>20,398</u>	15,414
Finance costs							<u>(2,400)</u>	<u>(2,987)</u>
Share of profits less losses of jointly controlled entities	<u>(302)</u>	922	-	-	-	-	<u>(302)</u>	922
Profit before tax							<u>17,696</u>	13,349
Tax							<u>(2,884)</u>	<u>(3,114)</u>
Profit before minority interests							<u>14,812</u>	10,235
Minority interests							<u>(297)</u>	<u>(418)</u>
Net profit from ordinary activities attributable to shareholders							<u>14,515</u>	<u>9,817</u>



2. Turnover and segment information (continued)

(b) Geographical segments

The following table presents revenue and results of the Group by geographical segments for the six months ended 30 June 2003 and 2002.

Segment	Hong Kong		Elsewhere in the PRC		Southeast Asia		Taiwan		Other countries		Corporate and others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
revenue:														
Sales to external customers	55,357	73,712	66,714	81,615	37,869	44,431	74,392	22,887	19,165	17,503	-	-	253,497	240,148
Segment results	4,975	6,312	5,938	6,984	3,403	3,805	5,802	754	1,722	577	(1,442)	(3,018)	20,398	15,414

3. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Depreciation	12,524	10,042
Amortisation of intangible assets	160	65
Exchange losses, net	440	337
Gain on disposal of long term investments	(2,461)	-
Interest income	(62)	(88)
Negative goodwill recognised	(138)	(56)



Interim Report 2003

4. Finance costs

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest expenses on bank loans	1,885	2,555
Interest on finance leases	515	432
	<u>2,400</u>	<u>2,987</u>

5. Tax

	For the six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000 (restated)
Current tax:		
The People's Republic of China ("PRC"):		
Hong Kong	1,221	-
Others	1,018	1,766
Overprovision in prior year	-	(110)
	<u>2,239</u>	<u>1,656</u>
Deferred tax	645	1,458
	<u>2,884</u>	<u>3,114</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the Period. The corporate income tax for the PRC subsidiaries is calculated at rates ranging from 12% to 27% (2002: 12% to 27%) on their estimated assessable profits for the Period. No provision for overseas profits tax has been made as there were no assessable profits for the Period (2002: Nil).

No provision for corporate income tax has been made for the PRC jointly controlled entities as there were no assessable profits for the Period (2002: Nil).



6. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit attributable to shareholders of approximately HK\$14,515,000 (2002: HK\$9,817,000 as restated) and the weighted average of 373,440,000 (2002: 373,440,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the net profit attributable to shareholders of approximately HK\$14,515,000 (2002: HK\$9,817,000 as restated) and the weighted average number of 373,476,628 (2002: 373,475,479) ordinary shares. The weighted average number of ordinary shares used in the calculation is the weighted average number of 373,440,000 (2002: 373,440,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation and the weighted average of 36,628 (2002: 35,479) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the Period.

7. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: Nil).

8. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 90 days of issuance, except for certain well established customers, where the credit terms range from 120 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and hedges its credit risk through Export Credit Insurance Cover. Overdue balances are regularly reviewed by senior management.

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

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Less than 3 months	109,934	101,281
4 – 6 months	21,053	20,553
7 – 12 months	5,450	2,142
Over 1 year	5,921	5,409
	142,358	129,385
Provisions for bad and doubtful debts	(6,306)	(6,368)
	136,052	123,017



Interim Report 2003

9. Trade payables

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

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Less than 3 months	70,034	41,727
4 – 6 months	9,444	13,801
7 – 12 months	1,360	12,061
Over 1 year	2,492	6,001
Accounts payable	83,330	73,590
Bills payable	17,579	18,286
	100,909	91,876

10. Share capital

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Authorised: 1,000,000,000 (2002: 1,000,000,000) ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 373,440,000 (2002: 373,440,000) ordinary shares of HK\$0.10 each	37,344	37,344



11. Reserves

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2003:								
As previously reported	72,641	2,800	417	1,795	1,043	767	104,832	184,295
Prior year adjustment - note 1	-	-	-	-	-	-	2,106	2,106
	72,641	2,800	417	1,795	1,043	767	106,938	186,401
Exchange realignment	-	-	-	-	1	-	-	1
Net profit for the Period	-	-	-	-	-	-	14,515	14,515
At 30 June 2003	<u>72,641</u>	<u>2,800</u>	<u>417</u>	<u>1,795</u>	<u>1,044</u>	<u>767</u>	<u>121,453</u>	<u>200,917</u>

12. Commitments

- (i) At the balance sheet date, the Group had the following forward foreign exchange contracts commitments:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Forward foreign exchange contracts	<u>4,916</u>	<u>-</u>

**12. Commitments (continued)**

- (ii) At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows.

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Land and buildings:		
Within one year	8,541	7,810
In second to fifth years, inclusive	30,425	20,680
After five years	8,974	19,512
	<hr/> 47,940 <hr/>	<hr/> 48,002 <hr/>

13. Contingent liabilities

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$2,665,592. The contingent liability has arisen because, at the Period end date, a number of current employees have achieved the required number of years of service to the Group, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

At the balance sheet date, the Group had guarantees amounting to nil (31 December 2002: HK\$472,000) in respect of banking facilities granted to the PRC joint venture partner of a subsidiary.

The Company had guarantees amounting to HK\$320,311,000 (31 December 2002: HK\$213,930,000) in respect of banking facilities and finance lease contracts granted to its subsidiaries, approximately HK\$146,317,000 (31 December 2002: HK\$86,474,000) of which was utilised at the balance sheet date.



14. Related party transactions

- (a) During the Period, the Group had the following material transactions with its jointly controlled entities:

		For the six months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Purchases of raw materials	<i>Note</i>	4,432	3,691
Purchases of finished goods	<i>Note</i>	-	582
Sales of raw materials	<i>Note</i>	1,433	-

- (b) During the Period, the Group had the following material transactions with its minority shareholder or associates of the minority shareholder:

		For the six months ended 30 June	
		2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Purchases of raw materials	<i>Note</i>	526	6,955
Sales of finished goods	<i>Note</i>	141	197
Rent, utilities and other operating expenses paid	<i>Note</i>	1,190	-
Corporate guarantees given to banks for facilities granted to the minority shareholder and its associates		-	3,900
Corporate guarantees to banks given by the minority shareholder and its associates for facilities granted to a subsidiary		-	3,396

Note: The above purchase transactions and payments for rent, utilities and other operating expenses were carried out in accordance with the terms and conditions similar to those offered by other suppliers, except that a longer credit period was granted. The above sales transactions were carried out in accordance with the Group's pricing policy and were calculated on a cost-plus basis.



15. Comparative amounts

As further explained in note 1 to the unaudited condensed consolidated financial statements, due to the adoption of a revised SSAP during the current Period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been restated to conform with the current Period's presentation.

16. Approval of the interim financial report

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 18 September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group achieved a record high in interim turnover for the second consecutive year since listing in 1997 in spite of the continual weakness in the global economic market and the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the first half of the year. Turnover for the Period was increased by approximately 6% to HK\$253.5 million from HK\$240.1 million for the first six months of 2002 mainly contributed by the increase in Taiwanese market as a result of the management's accurate targeting on the computer motherboard and power supply segments. Gross profit for the Period was decreased by approximately 2% to HK\$58.0 million from HK\$59.2 million for the first six months of 2002 mainly due to higher consumption of raw materials as proportion of sales price. Profit from operations for the Period was up by approximately 32% to HK\$20.4 million from HK\$15.4 million for the first six months of 2002. Net profit for the Period was HK\$14.5 million, representing an increase of approximately 48% compared to the net profit of HK\$9.8 million for the first six months of 2002 as restated upon the adoption of a revised Statement of Standard Accounting Practice in respect of deferred taxation. Basic and diluted earnings per share for the Period were 3.89 HK cents and 3.89 HK cents respectively compared to the restated earnings per share of 2.63 HK cents and 2.63 HK cents respectively for the first six months of 2002.