

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2004

1. Accounting policies

The unaudited condensed consolidated interim 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 interim financial statements are the same as those used in the audited annual financial statements for the year ended 31 December 2003.

2. Turnover and segment information

The analysis of the Group's revenue and results by business segments and the Group's revenue by 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 2004 and 2003.

	Electronic components and electrical products		Trading of raw materials		Corporate and others		Consolidated	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	352,421	236,099	27,168	11,098	-	6,300	379,589	253,497
Other revenue and gains	-	-	-	-	4,114	3,509	4,114	3,509
Total	352,421	236,099	27,168	11,098	4,114	9,809	383,703	257,006
Segment results	30,720	20,452	1,259	560	491	(614)	32,470	20,398
Finance costs							(3,582)	(2,400)
Share of profits less losses of jointly controlled entities	(669)	(302)	-	-	-	-	(669)	(302)
Profit before tax							28,219	17,696
Tax							(4,182)	(2,884)
Profit before minority interests							24,037	14,812
Minority interests							72	(297)
Net profit from ordinary activities attributable to shareholders							24,109	14,515

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2. Turnover and segment information (continued)**(b) Geographical segments**

The following table presents revenue of the Group by geographical segments for the six months ended 30 June 2004 and 2003.

Segment	Hong Kong		Elsewhere in the PRC		Southeast Asia		Taiwan		Other countries		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	(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
Sales to external customers	77,497	55,357	72,761	66,714	48,030	37,869	147,464	74,382	33,837	19,165	379,589	253,497

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	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Depreciation	16,037	12,524
Amortisation of intangible assets	161	160
Amortisation of goodwill	60	40
Exchange losses/(gains), net	(1,034)	440
Gain on disposal of long term investments	(1,235)	(2,461)
Interest income	(115)	(62)
Negative goodwill recognised	(138)	(138)

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4. Finance costs

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest expenses on bank loans and overdrafts wholly repayable within five years	3,224	1,885
Interest on finance leases	358	515
	3,582	2,400

5. Tax

	For the six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Current tax:		
Hong Kong	1,964	1,221
Mainland China	2,325	1,018
	4,289	2,239
Deferred tax	(107)	645
	4,182	2,884

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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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\$24,109,000 (2003: HK\$14,515,000) and 373,440,000 (2003: 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\$24,109,000 (2003: HK\$14,515,000). The weighted average number of ordinary shares used in the calculation is the 373,440,000 (2003: 373,440,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 473,569 (2003: 36,628) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the Period.

7. Interim dividend

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2004 (2003: Nil).

8. Trade receivables

The Group's trading terms with its customers are largely 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 has a credit control section to minimize credit risk and hedges its credit risk through Export Credit Insurance Cover. Overdue balances are regularly reviewed by senior management.

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

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Less than 3 months	145,678	150,751
4 – 6 months	27,794	27,952
7 – 12 months	9,696	3,016
Over 1 year	8,031	7,150
	191,199	188,869
Less: Provisions for bad and doubtful debts	(9,181)	(7,126)
	182,018	181,743

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9. Trade payables

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

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Less than 3 months	79,228	75,813
4 – 6 months	16,232	16,822
7 – 12 months	465	1,338
Over 1 year	6,555	6,582
	102,480	100,555
Accounts payable	23,602	24,685
Bills payable	126,082	125,240

10. Share capital

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
<i>Issued and fully paid:</i>		
373,440,000 ordinary shares of HK\$0.10 each	37,344	37,344

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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 2004	72,641	2,800	417	1,880	(221)	2,432	142,326	222,275
Exchange differences on translation of the financial statements of foreign entities	-	-	-	-	1,653	-	-	1,653
Net profit attributable to shareholders	-	-	-	-	-	-	24,109	24,109
At 30 June 2004	<u>72,641</u>	<u>2,800</u>	<u>417</u>	<u>1,880</u>	<u>1,432</u>	<u>2,432</u>	<u>166,435</u>	<u>248,037</u>

* PRC reserve funds are reserves made in accordance with the PRC Companies Law or the Law of the PRC on Joint Venture Using Chinese and Foreign Investment, as applicable to the Group's PRC subsidiaries and jointly controlled entities. None of the Group's PRC reserve funds at 30 June 2004 were distributable in the form of cash dividends.

12. Commitments

(i) At the balance sheet date, the Group had the following capital commitments:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Contracted, but not provided for:		
Machinery and equipment	-	2,910
Leasehold land and buildings	21,069	-
	<u>21,069</u>	<u>2,910</u>

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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 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Within one year	10,447	10,766
In second to fifth years, inclusive	29,786	32,424
After five years	3,146	5,461
	43,379	48,651

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

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Forward foreign exchange contracts	7,835	-

13. Contingent liabilities

At 30 June 2004, the Group had bills discounted with recourse amounting to approximately HK\$2.5 million (31 December 2003: Nil), which were not provided for in the financial statements.

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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	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Purchases of raw materials	<i>Note</i>	8,475	4,432
Sales of raw materials	<i>Note</i>	1,956	1,433

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

		For the six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Purchases of raw materials	<i>Note</i>	128	526
Sales of finished goods	<i>Note</i>	99	141
Rent, utilities and other operating expenses	<i>Note</i>	1,625	1,190

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.

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15. Post balance sheet events

(a) Share repurchase

On 26 April 2004, the Company proposed a conditional voluntary cash offer (the "Offer") to repurchase up to 66,000,000 issued ordinary shares of HK\$0.10 each of the Company at a price of HK\$0.38 per share. The ordinary resolution proposed to approve the Offer was passed by the independent shareholders at a special general meeting of the Company held on 24 June 2004.

Subsequent to the balance sheet date, on 8 July 2004, being the time when the Offer was closed, the Company received valid acceptances in respect of 16,286,000 ordinary shares of the Company from the accepting shareholders. As such, the Company repurchased and cancelled 16,286,000 ordinary shares of the Company and the number of the Company's issued ordinary shares was reduced from 373,440,000 to 357,154,000. The total consideration paid by the Company under the Offer was approximately HK\$6.19 million.

(b) Proposal for bonus warrant issue

Subsequent to the balance sheet date, on 23 September 2004, the Board proposed a conditional bonus warrant issue to the shareholders on the basis of one warrant for every six shares of the Company. The initial subscription price was determined at HK\$0.48 per share, subject to adjustment, and the bonus warrants are exercisable at any time during the period which is expected to commence on Thursday, 4 November, 2004 and end on Friday, 3 November, 2006 (both days inclusive).

16. Approval of the interim financial report

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 23 September 2004.