

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Significant accounting policies

The unaudited condensed consolidated interim financial statements of the Group 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 Statement of Standard Accounting Practice (“SSAP”) no. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants. The accounting policies and basis of preparation adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2003.

## 2. Segmental information

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group’s revenue and contribution to operating results by business segment is presented below:

### Six months ended 30th June, 2004

	Industrial consumables	Plastic processing products	Machinery	Audio products	Printed circuit boards	Other operations	Eliminations	Consolidated
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>TURNOVER</b>								
External sales	132,591	132,850	330,272	40,551	159,765	-	-	796,029
Inter-segment sales	2,975	7,852	7,826	6	-	-	(18,659)	-
Total revenue	135,566	140,702	338,098	40,557	159,765	-	(18,659)	796,029

Inter-segment sales are charged at prevailing market rates

### RESULT

Segment result	6,543	11,748	22,049	(8,945)	5,870	608	2,438	40,311
Unallocated corporate expenses								(8,445)
Profit from operations								31,866
Finance costs								(9,243)
Investment income								340
Gain on disposal of subsidiaries								3,303
Share of results of associates								12,469
Profit before taxation								38,735

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Six months ended 30th June, 2003

	Industrial consumables HK\$'000	Plastic processing products HK\$'000	Machinery HK\$'000	Audio products HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>								
External sales	117,539	99,927	266,607	29,882	112,119	–	–	626,074
Inter-segment sales	2,548	4,057	1,393	4	–	–	(8,002)	–
<b>Total revenue</b>	<b>120,087</b>	<b>103,984</b>	<b>268,000</b>	<b>29,886</b>	<b>112,119</b>	<b>–</b>	<b>(8,002)</b>	<b>626,074</b>

Inter-segment sales are charged at prevailing market rates

### RESULT

Segment result	6,027	3	30,435	(11,558)	6,752	397	3,020	35,076
Unallocated corporate expenses								(12,685)
Profit from operations								22,391
Finance costs								(9,154)
Investment income								524
Gain on disposal of subsidiaries								1,184
Share of results of associates								6,122
Release of negative goodwill of an associate								1,103
<b>Profit before taxation</b>								<b>22,170</b>

### Turnover Six months ended 30th June,

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
By geographical market:		
Hong Kong	<b>212,080</b>	177,448
Other regions in the People's Republic of China	<b>485,002</b>	365,227
Other Asia-Pacific countries	<b>39,050</b>	43,588
Europe	<b>14,931</b>	17,693
North America	<b>44,966</b>	22,118
	<b>796,029</b>	626,074

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### 3. Profit from operations

	For the six months ended 30th June,	
	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation and amortisation		
Depreciation and amortisation on:		
Owned assets	26,908	27,318
Assets held under finance leases and hire purchase contracts	1,148	3,425
Amortisation of goodwill (included in other operating expenses)	739	1,527
Loss on disposal of property, plant and equipment	1,877	514
and after crediting:		
Release of negative goodwill to income (included in other revenue)	145	61

### 4. Taxation

	For the six months ended 30th June,	
	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	900	1,065
Overseas taxation	5,408	3,606
Deferred taxation	–	(731)
Taxation attributable to the Company and its subsidiaries	6,308	3,940
Share of tax on results of associates	1,221	679
	7,529	4,619

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) on the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 5. Earnings per share

The calculation of the basic earnings per share for the period is based on the net profit for the period of approximately HK\$21,550,000 (2003: approximately HK\$7,426,000) and on the weighted average number of shares in issue during the period of 642,026,234 (2003: 640,848,444).

The computation of diluted earnings per share for period ended 30th June, 2003 does not assume the exercise of options because the exercise price of the Company's options was higher than the average market price of shares for the period.

Accordingly no diluted earnings per share has been calculated for period ended 30th June, 2003.

## 6. Interim dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30th June, 2004 (2003: Nil).

## 7. Property, plant and equipment

During the period, the group has acquired property, plant and equipment amounting to approximately HK\$34,647,000.

## 8. Trade and other receivables

The Group allows an average credit period of 90 days to 120 days to its customers.

Included in trade and other receivables are trade receivables of approximately HK\$512,234,000 (31st December, 2003: approximately HK\$444,024,000) and their aging analysis is as follows:

	<b>30th June, 2004 HK\$'000</b>	31st December, 2003 HK\$'000
0 to 3 months	<b>356,240</b>	302,306
4 to 6 months	<b>47,999</b>	49,587
7 to 9 months	<b>31,805</b>	27,776
Over 9 months	<b>76,190</b>	64,355
	<b>512,234</b>	444,024

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### 9. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$368,827,000 (31st December, 2003: approximately HK\$287,961,000) and their aging analysis is as follows:

	<b>30th June, 2004 HK\$'000</b>	31st December, 2003 HK\$'000
0 to 3 months	<b>308,305</b>	230,002
4 to 6 months	<b>29,998</b>	33,005
7 to 9 months	<b>15,064</b>	6,336
Over 9 months	<b>15,460</b>	18,618
	<b>368,827</b>	287,961

### 10. Share capital

	<b>Number of ordinary shares</b>	<b>Value HK\$'000</b>
Ordinary shares of HK\$0.40 each		
Authorised:		
At 1st January, 2004 and 30th June, 2004	1,000,000,000	400,000
Issued and fully paid:		
At 1st July, 2003	640,926,234	256,370
Exercise of share options	1,100,000	440
At 1st January, 2004 and at 30th June, 2004	642,026,234	256,810

**11. Operating lease commitments**

*The Group as lessee*

	<b>30th June, 2004 HK\$'000</b>	30th June, 2003 HK\$'000
Minimum lease payments during the period under operating leases in respect of:		
Land and buildings	<b>6,106</b>	7,611
Plant and machinery	<b>894</b>	225
	<b>7,000</b>	7,836

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>30th June, 2004 HK\$'000</b>	31st December, 2003 HK\$'000
Within one year	<b>11,370</b>	12,297
In the second to fifth year inclusive	<b>35,233</b>	40,789
Over five years	<b>93,287</b>	93,633
	<b>139,890</b>	146,719

Operating lease payments represent payable by the Group for certain of its office properties and factories. Leases are negotiated for an average term of 2-10 years and rental are fixed for an average of 2-10 years.

*The Group as lessor*

Property rental income earned during the period was approximately HK\$1,374,000 (2003: approximately HK\$1,480,000). The properties are expected to generate rental yields of 10% (2003: 10%) on an ongoing basis. All of the properties held have committed tenants for the next 1-2 years.

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At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<b>30th June, 2004</b>	31st December, 2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,982</b>	2,513
In the second to fifth year inclusive	<b>758</b>	848
	<b>2,740</b>	3,361

### 12. Other commitments

	<b>30th June, 2004</b>	31st December, 2003
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<b>25,494</b>	9,755
Capital expenditure authorized but not contracted for in respect of the acquisition of property, plant and equipment	–	18,662

### 13. Contingent liabilities

	<b>30th June, 2004</b>	31st December, 2003
	<b>HK\$'000</b>	HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilized by outsiders	<b>6,092</b>	6,092

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### 14. Pledge of assets

At the balance sheet date, the following assets were pledged by the Group to secure general banking facilities:

	Net book value	
	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Investment properties	13,500	13,500
Leasehold land and buildings	38,719	25,309
Plant and machinery	37,192	37,192
Bank deposits (Note)	5,263	13,969
	<b>94,674</b>	89,970

Note: The bank deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

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### 15. Transactions and balances with related parties

During the period, the Group had significant transactions with the following related parties:

	<b>30th June, 2004 HK\$'000</b>	30th June, 2003 HK\$'000
Substantial shareholder and its subsidiaries:		
License fee paid (note i)	753	883
EDP charges received (note i)	92	92
Management fee paid (note i)	1,016	1,062
Companies controlled by certain directors:		
Management fee paid (note i)	498	498
EDP charges received (note i)	26	26
Minority shareholders:		
Purchases of finished goods (note i)	8,881	–
Rental paid (note i)	977	946
Interest paid (note iii)	932	848
Acquisition of additional interests in subsidiaries (note ii)	6,542	1,517
Disposal of interests in subsidiaries (note ii)	10,191	–
Associates:		
Rental income (note i)	24	24

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At the balance sheet date, the Group has balances with the following related parties:

	<b>30th June, 2004 HK\$'000</b>	31st December, 2003 HK\$'000
Substantial shareholder and its subsidiaries		
Balances due by the Group (note iv)	5,784	5,953
Balances due to the Group (note iv)	46	88
Minority shareholders:		
Balances due by the Group (note v)	21,491	20,640
Balances due to the Group (note iv)	13,605	11,593
Associates:		
Balance due by the Group (note iv)	1,441	1,441
Balances due to the Group (note iv)	17,332	17,021

Notes:

- (i) The prices of the transactions were determined by the directors with reference to market prices or prices for similar transactions with unrelated third parties.
- (ii) The transaction was carried out pursuant to the sale and purchase agreement entered into during the period.
- (iii) The interest was charged at 10% per annum on the outstanding balances.
- (iv) The balances are unsecured, interest free and have no fixed repayment term.
- (v) The balances are unsecured, interest free and have no fixed repayment term. Other than an amount of approximately HK\$15,762,000 which bears interest at 10% per annum, the remaining balances are interest free.