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## 1. Basis of presentation and accounting policies

The Company was incorporated in the Cayman Islands with limited liability on 18 September 2000. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of its shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 7 December 2000. On 22 December 2000, the shares of the Company were listed on the Stock Exchange. The Group Reorganisation involved companies under common control. The condensed consolidated financial statements for the six months ended 30 June 2000 have been prepared using the merger basis of accounting in accordance with Hong Kong Statement of Standard Accounting Practice ("HKSSAP") 27 "Accounting for Group Reconstructions". On this basis, the Company has been treated as the holding company of its subsidiaries throughout the six months ended 30 June 2000, rather than from the date of their acquisition pursuant to the Group Reorganisation on 7 December 2000, or since their respective dates of incorporation, where this is a shorter period.

These condensed consolidated financial statements ("financial statements") are prepared in accordance with HKSSAP 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants (the "HKSA"), and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") of the Stock Exchange.

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The accounting policies adopted and methods of computation used in the preparation of these financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2000 except for the recognition and presentation of proposed dividends which have been amended in accordance with HKSSAP 9 on "Events after the balance sheet date". Following the implementation of HKSSAP 9, dividends proposed and declared after the balance sheet date are no longer recognized as a liability at the balance sheet date but are disclosed as a separate component of shareholders' funds. The revised accounting treatment for dividends has resulted in a prior year adjustment, further details of which are included in note 5 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles grant the directors authority to declare interim dividends. Consequently, interim dividends are recognized directly as a liability when they are proposed and declared.

## 2. Segment information

The Group is principally engaged in the manufacture and sale of ironware parts, accessories for electrical appliances and electronic components.

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity and geographical area for the six months ended 30 June 2001 is as follows:

### Business segments

|   | Turnover         |                | Profit from operating activities |               |
|---|------------------|----------------|----------------------------------|---------------|
|   | Six months ended |                | Six months ended                 |               |
|   | 30 June          |                | 30 June                          |               |
|   | 2001             | 2000           | 2001                             | 2000          |
|   | HK\$'000         | HK\$'000       | HK\$'000                         | HK\$'000      |
| Manufacture and sale of ironware parts                        | 57,268           | 105,495        | 12,106                           | 25,029        |
| Manufacture and sale of accessories for electrical appliances | 40,257           | 51,240         | 11,414                           | 11,278        |
| Manufacture and sale of electronic components                 | 13,388           | 37,725         | 3,124                            | 6,603         |
|   | <u>110,913</u>   | <u>194,460</u> | <u>26,644</u>                    | <u>42,910</u> |

### Geographical segments

|                                 | Turnover         |                | Profit from operating activities |               |
|---------------------------------|------------------|----------------|----------------------------------|---------------|
|                                 | Six months ended |                | Six months ended                 |               |
|                                 | 30 June          |                | 30 June                          |               |
|                                 | 2001             | 2000           | 2001                             | 2000          |
|                                 | HK\$'000         | HK\$'000       | HK\$'000                         | HK\$'000      |
| The People's Republic of China: |                  |                |                                  |               |
| Hong Kong                       | 399              | 1,214          | 197                              | 329           |
| Elsewhere                       | 93,116           | 123,560        | 20,890                           | 21,914        |
| Southeast Asian countries       | 12,129           | 67,255         | 3,694                            | 19,954        |
| Others                          | 5,269            | 2,431          | 1,863                            | 713           |
|                                 | <u>110,913</u>   | <u>194,460</u> | <u>26,644</u>                    | <u>42,910</u> |

### 3. Depreciation

During the period, depreciation of HK\$3,019,000 (2000: HK\$2,522,000) was charged in respect of the Group's fixed assets.

### 4. Tax

|                                 | Six months ended 30 June |                 |
|---------------------------------|--------------------------|-----------------|
|                                 | 2001                     | 2000            |
|                                 | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Current period provision:       |                          |                 |
| The People's Republic of China: |                          |                 |
| Hong Kong                       | 98                       | –               |
| Elsewhere                       | <u>2,961</u>             | <u>7,501</u>    |
|                                 | <u>3,059</u>             | <u>7,501</u>    |

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2001. Taxes on profits assessable elsewhere have been calculated at the rates of tax applicable in the respective jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

### 5. Dividends

|                | Six months ended 30 June |                 |
|----------------|--------------------------|-----------------|
|                | 2001                     | 2000            |
|                | <i>HK\$'000</i>          | <i>HK\$'000</i> |
| Interim        | 160                      | 37,000          |
| Proposed final | <u>–</u>                 | <u>24,000</u>   |
|                | <u>160</u>               | <u>61,000</u>   |

The directors resolved not to pay an interim dividend to shareholders for the six months ended 30 June 2001. Dividends for the six months ended 30 June 2001 represents a portion of the final dividends for the year ended 31 December 2000, in the amount of HK\$160,000, declared on shares issued pursuant to the exercise of options to subscribe for shares in the Company. These shares were also entitled to the dividend for the period concerned subsequent to the approval of the Company's audited financial statements for the year ended 31 December 2000.

The interim dividend for the six months ended 30 June 2000 was proposed and paid by Tong Da Holdings (BVI) Limited ("Tong Da (BVI)") to its then shareholders prior to the Group Reorganization as mentioned in note 1 to the condensed financial statements.

During the period, the Company adopted the revised HKSSAP 9 "Events after the balance sheet date". To comply with the revised HKSSAP, a prior year adjustment has been made, reclassifying the proposed final dividends for the year ended 31 December 2000, of HK\$24,000,000, which was recognised as a liability in the prior year, to the proposed final dividends account within the capital and reserves section of the balance sheet.

## 6. Earnings per share

The calculation of basic earnings per share is based on the Group's net profit from ordinary activities attributable to shareholders for the period of HK\$22,349,000 (2000: HK\$34,136,000) and the weighted average of 300,607,735 (2000: 225,000,000) ordinary shares in issue during the period.

The weighted average number of shares used to calculate the earnings per share for the period ended 30 June 2000 includes the pro forma issued share capital of the Company, comprising 999,999 shares issued nil paid and 1 share issued fully paid at par on incorporation of the Company, 1,000,000 shares issued for the acquisition of the entire issued capital of Tong Da (BVI) and the capitalization issue of 223,000,000 shares. The weighted average number of shares used to calculate the earnings per share for the period ended 30 June 2001 also take account of the 75,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 22 December 2000 and 2,000,000 shares issued upon the exercise of options during the period to subscribe for ordinary shares in the Company.

The calculation of diluted earnings per share for the period ended 30 June 2001 was based on the net profit attributable to shareholders for the period of HK\$22,349,000 and on 300,609,182 ordinary shares, being the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive potential ordinary shares outstanding during the period.

A reconciliation of the weighted average number of shares used in calculating basic and diluted earnings per share is as follows:

|   |                           |
|---|---------------------------|
| Weighted average number of ordinary shares used<br>in calculating basic earnings per share  | 300,607,735               |
| Weighted average number of ordinary shares assumed<br>issued at no consideration on deemed exercise of<br>options outstanding during the period | <u>1,447</u>              |
| Weighted average number of ordinary shares used<br>in calculating diluted earnings per share  | <u><u>300,609,182</u></u> |

Diluted earnings per share for the period ended 30 June 2000 have not been shown as there were no potential dilutive ordinary shares in existence during the period.

## 7. TRADE AND BILLS RECEIVABLE

|                   | 30 June<br>2001<br><i>HK\$'000</i> | 31 December<br>2000<br><i>HK\$'000</i> |
|-------------------|------------------------------------|--|
| Trade receivables | 111,287                            | 88,632                                 |
| Bills receivable  | 4,750                              | 3,237                                  |
|                   | <u>116,037</u>                     | <u>91,869</u>                          |

The age of the Group's trade and bills receivable as at 30 June 2001 is analysed as follows:

|                                      | 30 June<br>2001<br><i>HK\$'000</i> | 31 December<br>2000<br><i>HK\$'000</i> |
|--------------------------------------|------------------------------------|--|
| Within 3 months                      | 100,971                            | 80,963                                 |
| 4 to 6 months                        | 9,546                              | 6,547                                  |
| 7 to 9 months                        | 3,824                              | 3,861                                  |
| 10 to 12 months                      | 2,982                              | 1,351                                  |
| More than 1 year                     | 1,525                              | 1,958                                  |
|                                      | <u>118,848</u>                     | 94,680                                 |
| Provision for bad and doubtful debts | <u>(2,811)</u>                     | <u>(2,811)</u>                         |
|                                      | <u>116,037</u>                     | <u>91,869</u>                          |

It is the general policy of the Group to allow a credit period of two to three months. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship.

## 8. TRADE AND BILLS PAYABLE

|                | 30 June<br>2001<br>HK\$'000 | 31 December<br>2000<br>HK\$'000 |
|----------------|-----------------------------|---------------------------------|
| Trade payables | 12,836                      | 18,071                          |
| Bills payable  | 4,501                       | 2,791                           |
|                | <u>17,337</u>               | <u>20,862</u>                   |

The age of the Group's trade and bills payable as at 30 June 2001 is analysed as follows:

|                  | 30 June<br>2001<br>HK\$'000 | 31 December<br>2000<br>HK\$'000 |
|------------------|-----------------------------|---------------------------------|
| Within 3 months  | 16,107                      | 14,150                          |
| 4 to 6 months    | 794                         | 4,560                           |
| 7 to 9 months    | 196                         | -                               |
| 10 to 12 months  | -                           | 2,029                           |
| More than 1 year | 240                         | 123                             |
|                  | <u>17,337</u>               | <u>20,862</u>                   |

## 9. SHARE CAPITAL

|  | 30 June<br>2001<br>HK\$'000 | 31 December<br>2000<br>HK\$'000 |
|--|-----------------------------|---------------------------------|
| Authorised:                                    |                             |                                 |
| 2,000,000,000 ordinary shares of HK\$0.10 each | <u>200,000</u>              | <u>200,000</u>                  |
| Issued and fully paid:                         |                             |                                 |
| Ordinary shares of HK\$0.10 each               | <u>30,200</u>               | <u>30,000</u>                   |
| Number of shares                               | <u>302,000,000</u>          | <u>300,000,000</u>              |

During the period, options were granted at a consideration of HK\$1 for the subscription of 2,000,000 ordinary shares in the Company, exercisable at a price of HK\$0.80 per ordinary shares. On 7 May 2001, all of these options granted were exercised and 2,000,000 new ordinary shares were issued and allotted in consequence thereof. The excess of the aggregate option exercise price received over the nominal value of the issued ordinary shares, amounting to HK\$1,400,000, was credited to the share premium account (note 10).

As all options granted has been exercised during the period, there are no outstanding options to acquire new shares in the Company as at 30 June 2001 and the date of this report.

## 10. RESERVES

|  | Share<br>premium<br>account<br><i>HK\$'000</i> | Capital<br>reserve<br><i>HK\$'000</i> | Exchange<br>fluctuation<br>reserve<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|---------------------------------------|---|--|--------------------------|
| At 1 January 2001  | 31,241   | 993                                   | (1,003)   | 80,206                                 | 111,437                  |
| Arising on exercise<br>of options to acquire<br>new shares in the<br>Company ( <i>note 9</i> ) | 1,400  | -                                     | -   | -                                      | 1,400                    |
| Net profit attributable<br>to shareholders<br>for the period                                   | -  | -                                     | -   | 22,349                                 | 22,349                   |
| Dividends  | -  | -                                     | -   | (160)                                  | (160)                    |
| At 30 June 2001  | <u>32,641</u>                                  | <u>993</u>                            | <u>(1,003)</u>  | <u>102,395</u>                         | <u>135,026</u>           |

- (a) Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) The capital reserve of the Group represents principally the excess fair values ascribed to the net underlying assets of certain subsidiaries acquired prior to the Group Reorganisation, over the purchase consideration paid in respect thereof.

## 11. COMMITMENTS

- (i) At the balance sheet date, the Group had capital commitments in respect of the addition of construction in progress as follows:

|                                 | 30 June<br>2001<br>HK\$'000 | 31 December<br>2000<br>HK\$'000 |
|---------------------------------|-----------------------------|---------------------------------|
| Contracted but not provided for | <u>12,897</u>               | <u>10,093</u>                   |

- (ii) In October 2000, a subsidiary of the Company entered into a letter of intent to lease a piece of land in Shenzhen, the PRC. The Group will enter into a formal agreement for leasing the land use rights for a term of 50 years at a consideration of approximately HK\$1,680,000.
- (iii) On 27 June 2001, a 80% owned subsidiary of the Company entered into a conditional agreement for the acquisition of a 75% interest in the issued share capital of Xiamen Optic Conduct Cable Company Limited, a Sino-foreign equity joint venture company principally engaged in the manufacture and sale of optic fiber cable and digital fiber cable, at an aggregate consideration of approximately HK\$16.68 million. The completion of the acquisition is subject to the relevant regulatory approval of such transfer of equity interest. Pursuant to the conditional agreement, the cash consideration would be settled within one month upon the relevant regulatory approval. As at the date of this report, the application in relation to the above regulatory approval is in progress. Further details of the proposed acquisition are set out in the Company's press announcement of 29 June 2001.

## 12. CONTINGENCIES

Corporate guarantee in respect of banking facilities of a jointly-controlled entity was executed by the Company to the extent of HK\$12 million (31 December 2000: Nil) in aggregate. As at the balance sheet date, the banking facilities were not utilized. The Group did not have any other significant contingent liabilities at 30 June 2001.

## 13. PLEDGE OF ASSETS

Certain of the Group's borrowings at 30 June 2001 were secured by a leasehold property situated in Hong Kong owned by the Group.

## 14. COMPARATIVE FIGURES

As further explained in notes 1 and 5 to the financial statements, following the adoption of the revised HKSSAP 9 during the current interim period the presentation of the comparative balance sheet and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to confirm with the current period's presentation.