

Notes to the Condensed Consolidated Financial Statements

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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 Hong Kong Accounting Standards ("HKASs") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounting policies and basis of preparation adopted are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31st December, 2006 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards, HKASs and Interpretations ("HKFRS") which are effective for accounting periods commencing on or after 1st January, 2007. The changes to the Group's accounting policies and the effect of adopting these new accounting policies are set out in note 2 below.

2. Summary of significant accounting policies

In 2007, the Group adopted the standard, amendment and interpretations of HKFRS below, which are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
HK (IFRIC) – Int 8	Scope of HKFRS 2 (effective from 1st March, 2006)
HK (IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK (IFRIC) – Int 10	Interim Reporting and Impairment (effective from 1st November, 2006)
HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HKFRS 7	Financial Instruments: Disclosures

The Group has assessed the impact of the adoption of these standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

The following new standard has been issued but is not effective for 2007 and has not been early adopted:

HKFRS 8	Operating Segments
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The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether substantial changes to Group's accounting policies and presentation of the financial statements will be resulted.

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3. Business and geographical segments (Continued)

The segment results for the period ended 30th June, 2006 are as follows:

	Continuing operations						Discontinued operation		Consolidated	
	Industrial materials and consumables HK\$'000	Plastic products and processing HK\$'000	Machinery HK\$'000	Printed circuit board HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Sub-total HK\$'000	Audio and electronic products HK\$'000		Eliminations HK\$'000
TURNOVER										
External sales	167,488	203,978	304,106	208,431	-	-	884,003	35,202	-	919,205
Inter-segment sales	3,996	5,515	6,701	-	-	(10,697)	5,515	-	(5,515)	-
Total revenue	171,484	209,493	310,807	208,431	-	(10,697)	889,518	35,202	(5,515)	919,205
Inter-segment sales are charged at prevailing market rates										
RESULT										
Segment result	12,169	15,206	9,788	15,814	1,507	(2,716)	51,768	(3,784)	-	47,984
Unallocated corporate expenses							(13,253)	-		(13,253)
Profit (loss) from operations							38,515	(3,784)		34,731
Finance costs							(13,033)	(557)		(13,590)
Investment income							3,263	6		3,269
Share of results of associates							16,178	-		16,178
Profit before taxation							44,923	(4,335)		40,588

Sales revenue by geographical market Six months ended 30th June,

	2007 HK\$'000	2006 HK\$'000
Hong Kong	398,243	324,010
Other regions in the People's Republic of China	485,091	482,495
Other Asia-Pacific countries	55,198	47,162
Europe	19,401	17,523
North America	51,656	12,813
Continuing operations	1,009,589	884,003
Discontinued operation	-	35,202
	1,009,589	919,205

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4. Profit from operations

	Six months ended 30th June,		
	2007 Continuing operations HK\$'000	2006 Continuing operations HK\$'000	2006 Discontinued operation HK\$'000
Profit from operations has been arrived at after charging:			
Depreciation and amortisation			
Depreciation and amortisation on:			
Owned assets	26,293	26,612	1,173
Assets held under finance leases	2,379	911	–
Leasehold land and land use rights	960	691	–
and after crediting:			
Gain on disposal of property, plant and equipment	5,774	80	–
Release of negative goodwill to income (included in other income and gains, net)	–	95	–

5. Taxation

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,803	1,693
Overseas taxation	3,692	3,300
Deferred taxation	–	381
	5,495	5,374

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the period.

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

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6. Earnings per share

The calculation of the basic earnings per ordinary share is based on the Group's profit attributable to equity holder of the Company divided by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June,	
	2007	2006
Weighted average number of shares in issue during the period	707,522,692	707,522,692
Profit attributable to the equity holders of the Company from continuing operations	HK\$40,610,000	HK\$26,667,000
Earnings per share from continuing operations	5.74 cents	3.77 cents
Loss attributable to the equity holders of the Company from discontinued operation	–	(HK\$4,335,000)
Loss per share from discontinued operation	–	(0.61) cents

7. Property, plant and equipment

During the period, the group has acquired property, plant and equipment amounting to approximately HK\$22,440,000.

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\$589,728,000 (31st December, 2006: approximately HK\$541,118,000) and their ageing analysis is as follows:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
0 to 3 months	475,096	400,640
4 to 6 months	51,276	67,464
7 to 9 months	17,717	22,226
Over 9 months	45,639	50,788
	589,728	541,118

Notes to the Condensed Consolidated Financial Statements**9. Trade and other payables**

Included in trade and other payables are trade payables of approximately HK\$418,745,000 (31st December, 2006: approximately HK\$414,276,000) and their ageing analysis is as follows:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
0 to 3 months	367,104	286,615
4 to 6 months	28,881	80,221
7 to 9 months	14,625	34,300
Over 9 months	8,135	13,140
	418,745	414,276

10. Share capital

	Number of ordinary shares	Value HK\$'000
Ordinary shares of HK\$0.40 each		
Authorised:		
At 1st January, 2007 and 30th June, 2007	1,000,000,000	400,000
Issued and fully paid:		
At 1st July, 2006, 1st January, 2007 and 30th June, 2007	707,522,692	283,009

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11. Other reserves

	Buildings revaluation	Translation	Other	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2006	17,225	7,993	59	25,277
Share of changes in equity of associates	–	712	–	712
Currency translation differences	–	3,487	–	3,487
At 30th June, 2006 and 1st July, 2006	17,225	12,192	59	29,476
Fair value gains:				
– Available-for-sale financial assets	–	–	(97)	(97)
– Buildings	895	–	–	895
Deferred taxation adjustment	(36)	–	–	(36)
Realised on disposal of interest in a subsidiary	–	(15)	–	(15)
Realised on disposal of discontinued operation	–	(61)	–	(61)
Currency translation differences	–	10,472	–	10,472
At 31st December, 2006 and 1st January, 2007	18,084	22,588	(38)	40,634
Realised on disposal of interest in a subsidiary	–	(211)	–	(211)
Currency translation differences	–	13,488	–	13,488
	–	13,277	–	13,277
At 30th June, 2007	18,084	35,865	(38)	53,911

12. Operating lease commitments

The Group as lessee

	30th June, 2007	30th June, 2006
	HK\$'000	HK\$'000
Minimum lease payments made during the period under operating leases in respect of:		
Land and buildings	6,806	6,773
Plant and machinery	347	91
	7,153	6,864

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12. Operating lease commitments (Continued)

The Group as lessee (Continued)

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

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Within one year	11,766	10,815
In the second to fifth year inclusive	34,889	37,103
Over five years	41,784	50,547
	88,439	98,465

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

The Group as lessor

Property rental income earned during the period net of outgoings of approximately HK\$103,000 (2006: approximately HK\$154,000) was approximately HK\$1,129,000 (2006: approximately HK\$1,164,000). The properties are expected to generate rental yields of 8% (2006: 8%) on an ongoing basis. All of the properties held have committed tenants for the next 1-3 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Within one year	1,405	763
In the second to fifth year inclusive	194	1,681
After five years	-	-
	1,599	2,444

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13. Other commitments

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Investments	156,182	5,276
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	–	–

14. Contingent liabilities

	30th June, 2007 HK\$'000	31st December, 2006 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilized by outsiders	19,127	1,627

15. 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, 2007 HK\$'000	31st December, 2006 HK\$'000
Investment properties	–	13,500
Leasehold buildings	68,932	67,722
Leasehold land and land use rights	15,242	14,947
Plant and machinery	20,078	22,148
Bank deposits (<i>Note</i>)	33,254	31,963
	137,506	150,280

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

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16. Transactions and balances with related parties

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

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Substantial shareholder and its subsidiaries:		
EDP charges received (<i>note i</i>)	92	92
Management fee paid (<i>note i</i>)	1,407	1,410
Companies controlled by certain directors:		
Management fee paid (<i>note i</i>)	498	498
EDP charges received (<i>note i</i>)	26	26
Minority shareholders:		
Rental paid (<i>note i</i>)	-	1,028

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

	30th June, 2007	31st December, 2006
	HK\$'000	HK\$'000
Substantial shareholder and its subsidiaries:		
Balances due from the Group (<i>note ii</i>)	5,144	5,430
Balances due to the Group (<i>note ii</i>)	160	46
Minority shareholders:		
Balances due from the Group (<i>note ii</i>)	383	383
Balances due to the Group (<i>note ii</i>)	893	1,025
Associates:		
Balance due from the Group (<i>note ii</i>)	52,246	34,350
Balances due to the Group (<i>note ii</i>)	35,552	35,312

Notes:

- (i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.
- (ii) The balances are unsecured, interest free and have no fixed repayment term.