

# 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 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, 2005 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, 2006. 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

The HKICPA has issued the following amendments, new standards and interpretations which are effective for accounting periods commencing on or after 1st January, 2006:

HKAS 1 (Amendment)	"Presentation of financial statements"
HKAS 19 (Amendment)	"Actuarial gains and losses, group plans and disclosures"
HKAS 21 (Amendment)	"Net investment in a foreign operation"
HKAS 27 (Amendment)	"Consolidated and separate financial statements"
HKAS 39 (Amendment)	"Financial instruments: recognition and measurement" – the fair value option
HKAS 39 (Amendment) and HKFRS 4	"Financial instruments: recognition and measurement" – Financial guarantee contracts
HKFRS 3 (Amendment)	"Business combinations"
HKFRS-Int 4	"Determining whether an arrangement contains a lease"

The adoption of the above amendments had no material effect on the Group's policies.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

HKFRS 7	"Financial instruments: disclosures"
HKAS 1 (Amendment)	"Presentation of financial statements: capital disclosures"

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.

## Notes to the Condensed Consolidated Financial Statements

### 3. Business and geographical segments

At 30th June, 2006, the Group is organised on a product basis into five main business segments.

- (1) trading of industrial consumables
- (2) manufacturing of plastic processing products
- (3) manufacturing of machinery
- (4) manufacturing of audio and electronic products
- (5) manufacturing of printed circuit boards

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

	Industrial consumables HK\$'000	Plastic processing products HK\$'000	Machinery HK\$'000	Audio and electronic products HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>								
External sales	167,488	203,978	304,106	35,202	208,431	-	-	919,205
Inter-segment sales	3,996	5,515	6,701	-	-	-	(16,212)	-
Total revenue	171,484	209,493	310,807	35,202	208,431	-	(16,212)	919,205
Inter-segment sales are charged at prevailing market rates								
<b>RESULT</b>								
Segment result	12,169	11,299	9,788	(3,703)	15,814	1,507	(2,797)	44,077
Unallocated corporate expenses								(9,346)
Profit from operations								34,731
Finance costs								(13,590)
Investment income								3,269
Share of results of associates								16,178
Profit before taxation								40,588

## Notes to the Condensed Consolidated Financial Statements

### 3. Business and geographical segments (Continued)

The segment results for the period ended 30th June, 2005 are as follows:

	Industrial consumables HK\$'000	Plastic processing products HK\$'000	Machinery HK\$'000	Audio and electronic products HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>TURNOVER</b>								
External sales	119,947	165,468	277,550	45,084	170,695	-	-	778,744
Inter-segment sales	3,939	8,790	5,989	-	-	-	(18,718)	-
Total revenue	123,886	174,258	283,539	45,084	170,695	-	(18,718)	778,744

Inter-segment sales are charged  
at prevailing market rates

#### RESULT

Segment result	6,872	14,381	16,193	(5,840)	9,573	2,437	714	44,330
Unallocated corporate expenses								(8,880)
Profit from operations								35,450
Finance costs								(11,212)
Investment income								377
Loss on disposal of an associate								(163)
Share of results of associates								10,960
Profit before taxation								35,412

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

	2006 HK\$'000	2005 HK\$'000
Hong Kong	324,223	278,855
Other regions in the People's Republic of China	482,618	397,293
Other Asia-Pacific countries	50,363	39,322
Europe	47,751	37,479
North America	14,250	25,795
	<b>919,205</b>	778,744

## Notes to the Condensed Consolidated Financial Statements

### 4. Profit from operations

	Six months ended 30th June,	
	2006 HK\$'000	2005 HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation and amortisation		
Depreciation and amortisation on:		
Owned assets	27,785	27,370
Assets held under finance leases	911	2,167
Leasehold land and land use rights	691	531
and after crediting:		
Gain on disposal of property, plant and equipment	80	882
Release of negative goodwill to income (included in other income and gains, net)	95	–

### 5. Taxation

	Six months ended 30th June,	
	2006 HK\$'000	2005 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,693	709
Overseas taxation	3,300	4,723
Deferred taxation	381	–
	<b>5,374</b>	5,432

Hong Kong Profits Tax is calculated at 17.5% (2005: 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.

### 6. Earnings per share

The calculation of the basic earnings per share for the period is based on the profit attributable to the equity holder of the Company for the period of approximately HK\$22,332,000 (2005: approximately HK\$18,630,000) and on the weighted average number of shares in issue during the period of 707,522,692 (2005: 706,228,857).

Diluted earnings per share for period ended 30th June, 2005 and 2006 have not been disclosed as no diluting events existed during these periods.

## Notes to the Condensed Consolidated Financial Statements

### 7. Property, plant and equipment

During the period, the group has acquired property, plant and equipment amounting to approximately HK\$17,392,000.

### 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\$536,186,000 (31st December, 2005: approximately HK\$458,229,000) and their ageing analysis is as follows:

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
0 to 3 months	<b>381,619</b>	313,131
4 to 6 months	<b>57,579</b>	53,588
7 to 9 months	<b>26,801</b>	26,877
Over 9 months	<b>70,187</b>	64,633
	<b>536,186</b>	458,229

### 9. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$428,128,000 (31st December, 2005: approximately HK\$322,829,000) and their ageing analysis is as follows:

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
0 to 3 months	<b>326,709</b>	254,577
4 to 6 months	<b>60,031</b>	38,127
7 to 9 months	<b>14,385</b>	11,700
Over 9 months	<b>27,003</b>	18,425
	<b>428,128</b>	322,829

## Notes to the Condensed Consolidated Financial Statements

### 10. Share capital

	Number of ordinary shares	Value HK\$'000
Ordinary shares of HK\$0.40 each		
Authorised:		
At 1st January, 2006 and 30th June, 2006	1,000,000,000	400,000
Issued and fully paid:		
At 1st July, 2005	706,228,857	282,491
Issue of shares	1,293,835	518
At 1st January, 2006 and at 30th June, 2006	707,522,692	283,009

### 11. Other reserves

	Buildings revaluation HK\$'000	Translation HK\$'000	Other HK\$'000	Total HK\$'000
At 1st January, 2005	22,995	(822)	–	22,173
Realised on disposal of interest in an associate	–	(7)	–	(7)
Share of changes in equity of associates	–	55	–	55
Currency translation differences	–	251	–	251
At 30th June, 2005 and 1st July, 2005	22,995	(523)	–	22,472
Fair value gains:				
– Available-for-sale financial assets	–	–	59	59
Revaluation surplus	4,947	–	–	4,947
Realised on disposal of properties	(10,717)	–	–	(10,717)
Share of changes in equity of associates	–	1,683	–	1,683
Currency translation differences	–	6,833	–	6,833
At 31st December, 2005 and 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
	–	4,199	–	4,199
At 30th June, 2006	<b>17,225</b>	<b>12,192</b>	<b>59</b>	<b>29,476</b>

## Notes to the Condensed Consolidated Financial Statements

### 12. Operating lease commitments

#### The Group as lessee

	<b>30th June, 2006 HK\$'000</b>	30th June, 2005 HK\$'000
Minimum lease payments made during the period under operating leases in respect of:		
Land and buildings	<b>6,773</b>	6,127
Plant and machinery	<b>91</b>	530
	<b>6,864</b>	6,657

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, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Within one year	<b>12,335</b>	12,212
In the second to fifth year inclusive	<b>42,095</b>	39,497
Over five years	<b>67,669</b>	65,751
	<b>122,099</b>	117,460

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.

## Notes to the Condensed Consolidated Financial Statements

### 12. Operating lease commitments (Continued)

#### The Group as lessor

Property rental income earned during the period net of outgoings of approximately HK\$154,000 (2005 approximately HK\$121,000) was approximately HK\$1,164,000 (2005: approximately HK\$1,033,000). The properties are expected to generate rental yields of 8% (2005: 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:

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Within one year	<b>1,653</b>	2,513
In the second to fifth year inclusive	<b>58</b>	2,202
After five years	<b>–</b>	38
	<b>1,711</b>	4,753

### 13. Other commitments

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of land and buildings	<b>2,528</b>	2,792
Investments	<b>5,000</b>	6,256
	<b>7,528</b>	9,048
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	<b>–</b>	–

### 14. Contingent liabilities

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilized by outsiders	<b>–</b>	–

## Notes to the Condensed Consolidated Financial Statements

### 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, 2006 HK\$'000	31st December, 2005 HK\$'000
Investment properties	13,500	13,500
Leasehold buildings	31,834	42,036
Leasehold land and land use rights	15,928	12,266
Plant and machinery	65,610	66,373
Bank deposits ( <i>Note</i> )	20,800	15,208
	<b>147,672</b>	149,383

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

### 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,	
	2006 HK\$'000	2005 HK\$'000
Substantial shareholder and its subsidiaries:		
EDP charges received ( <i>note i</i> )	92	92
Management fee paid ( <i>note i</i> )	1,410	1,563
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	1,147
Interest paid ( <i>note ii</i> )	–	1,053

## Notes to the Condensed Consolidated Financial Statements

### 16. Transactions and balances with related parties (Continued)

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

	<b>30th June, 2006 HK\$'000</b>	31st December, 2005 HK\$'000
Substantial shareholder and its subsidiaries:		
Balances due by the Group (note iii)	<b>5,131</b>	5,217
Balances due to the Group (note iii)	<b>62</b>	260
Minority shareholders:		
Balances due by the Group (note iii)	<b>6,868</b>	6,857
Balances due to the Group (note iii)	<b>1,338</b>	695
Associates:		
Balance due by the Group (note iii)	<b>14,540</b>	9,428
Balances due to the Group (note iii)	<b>9,246</b>	10,233

Notes:

- (i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.
- (ii) No interest was charged (2005: 10% per annum on the outstanding balances) for the period.
- (iii) The balances are unsecured, interest free and have no fixed repayment term.