

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared under the historical convention and are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements should be read, where relevant, in conjunction with the 2005 annual financial statements of the Group.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except that the Group adopted HKAS 19 (Amendment) – Employee Benefits, HKAS 39 (Amendment) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions, HKAS 39 (Amendment) – The Fair Value Option, HKAS 39 & HKFRS 4 (Amendment) – Financial Guarantee Contracts and HKFRS – Int 4 – Determining whether an Arrangement contains a Lease, as at 1 January 2006. These changes in accounting policies did not have a significant impact on the Group's results and financial position.

The interim results of the Group are unaudited and have been reviewed by the Group's Audit Committee.

2. FINANCIAL RISK MANAGEMENT

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended 31 December 2005.

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is geographical segments as presented below:

	Unaudited			
	For the six months ended 30 June 2006			
	Hong Kong	The PRC	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER				
External sales	56,143	44,196	–	100,339
Inter-segment sales	–	7,423	(7,423)	–
Total turnover	56,143	51,619	(7,423)	100,339
SEGMENT RESULTS	5,261	7,006	–	12,267
Unallocated corporate income				926
Finance costs				(5,614)
Taxation				(1,578)
Profit for the period attributable to equity holders of the Company				6,001

	Unaudited			
	For the six months ended 30 June 2005			
	Hong Kong HK\$'000	The PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	55,994	45,639	–	101,633
Inter-segment sales	–	8,163	(8,163)	–
Total turnover	55,994	53,802	(8,163)	101,633
SEGMENT RESULTS	3,702	9,926	–	13,628
Unallocated corporate income				333
Finance costs				(4,194)
Taxation				(1,678)
Profit for the period attributable to equity holders of the Company				8,089

4. DEPRECIATION AND AMORTISATION

During the period, charged against profit from operations was depreciation and amortisation of approximately HK\$2,527,000 (six months ended 30 June 2005: approximately HK\$2,862,000) in respect of the Group's property, plant and equipment, land use rights and leasehold land.

5. TAXATION

Hong Kong Profits Tax was provided at the rate of 17.5% (six months ended 30 June 2005: 17.5%) on the estimated assessable profits arising in or derived from Hong Kong. In accordance with the relevant tax laws and regulations of the PRC, certain of the Group's PRC subsidiaries are exempted from PRC Enterprise Income Tax for two years starting from the first profit making year after utilisation of the carried forward tax losses and eligible for a 50% relief of the PRC Enterprise Income Tax for the following three years.

6. INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

7. EARNINGS PER SHARE

The basic earnings per shares is based on the profit attributable to equity holders of the Company of approximately HK\$6,001,000 (six months ended 30 June 2005: HK\$8,089,000) and on 214,000,000 shares of the Company (six months ended 30 June 2005: 200,000,000) in issue during the period.

No diluted earnings per share has been presented for the six months ended 30 June 2006 as there are no dilutive potential ordinary shares in issue.

During the six months ended 30 June 2005, diluted earnings per share was based on 212,000,000 which is the weighted average of ordinary shares outstanding, adjusted for the effects of the vested options outstanding during that period.

8. TRADE AND OTHER RECEIVABLES

The Group adopts a general policy of allowing average credit periods ranging from 90 days to 180 days to its trade customers. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted up to one year.

An aged analysis of trade receivables (net of allowance for bad and doubtful debts) is as follows:

	As at 30 June 2006 (unaudited) HK\$'000	As at 31 December 2005 (audited) HK\$'000
Within 90 days	51,227	101,275
91 to 180 days	49,453	15,186
Over 180 days	19,097	32,982
Trade receivables	119,777	149,443
Deposits, prepayments and other receivables	33,922	27,843
	153,699	177,286

9. TRADE AND OTHER PAYABLES

An aged analysis of the trade payables is as follows:

	As at 30 June 2006 (unaudited) HK\$'000	As at 31 December 2005 (audited) HK\$'000
Within 90 days	6,587	12,860
91 to 180 days	9,385	1,594
Over 180 days	441	4,739
Trade payables	16,413	19,193
Other payables	6,908	9,670
	23,321	28,863

10. SHARE CAPITAL

	Number of Ordinary shares	Amount HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
As at 31 December 2005 and 30 June 2006	4,000,000,000	40,000
Issued and fully paid:		
As at 31 December 2005 and 30 June 2006	214,000,000	2,140

11. CAPITAL COMMITMENTS

	As at 30 June 2006 (unaudited) HK\$'000	As at 31 December 2005 (audited) HK\$'000
Contracted but not provided for:		
Acquisition of plant and machinery	4,990	4,909
Capital contribution to the registered capital of the PRC subsidiaries		
	–	1,554