

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

1. BASIS OF PREPARATION

The condensed financial statements 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 the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain leasehold land and buildings which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005.

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2. PRINCIPAL ACCOUNTING POLICIES *(continued)***Owner-occupied leasehold interest in land**

In previous period, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under the HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments on land use rights under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. On 1 January 2005, lease payments on land use rights included in property, plant and equipment with carrying amount of HK\$20,579,000 were reclassified to prepaid lease payments on land use rights. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

3. POTENTIAL IMPACT ARISING ON THE NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

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4. SEGMENT INFORMATION
Geographical Segments

The entity's primary format for reporting segment information is geographical segments. In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

	Hong Kong		India		Elsewhere in Asia		Africa, Western Europe, the Middle East, North and South America, and Russia		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	2,152	6,434	52,667	54,757	78,420	64,646	109,356	103,865	242,595	229,702
Segment results	293	1,261	6,759	9,874	12,072	12,709	14,997	20,931	34,121	44,775
Unallocated income less expenses									(2,390)	217
Finance costs									(671)	(168)
Profit before taxation									31,060	44,824
Taxation									(705)	5,671
Net profit attributable to shareholders									30,355	50,495

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5. FINANCE COSTS

	Six months ended 30 June	
	2005 (Unaudited) <i>HK\$'000</i>	2004 (Unaudited) <i>HK\$'000</i>
Interest on:		
Bank loans	652	149
Finance leases	19	19
	671	168

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging/(crediting):

	Six months ended 30 June	
	2005 (Unaudited) <i>HK\$'000</i>	2004 (Restated) (Unaudited) <i>HK\$'000</i>
Cost of inventories sold	189,073	168,964
Depreciation of property, plant and equipment	9,137	6,367
Interest income	(368)	(280)

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7. TAXATION

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Current taxation:		
Hong Kong	231	189
Other jurisdictions	410	194
	641	383
Under/(over) provision in prior years		
Hong Kong	–	(26)
Other jurisdictions	64	(6,028)
	705	(5,671)

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the Period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period. (2004: Nil)

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit attributable to shareholders for the Period of HK\$30,355,000 (2004: HK\$50,495,000) and the weighted average number of 1,440,004,800 (2004: 1,440,004,800) ordinary shares in issue during the Period.

Diluted earnings per share for both period has not been presented as the share options outstanding during the Period had an anti-dilutive effect on the basic earnings per share for the Period.

10. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent approximately HK\$27 million on acquisition of property, plant and equipment.

At 30 June 2005, the Directors have considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the Period.

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11. TRADE RECEIVABLES

The Group normally allows credit terms ranging from 30 to 90 days to its customers.

An aging analysis of the trade receivables as at the balance sheet date, based on the date of recognition of sale, is as follows:

	30.6.2005 (Unaudited) HK\$'000	31.12.2004 (Audited) HK\$'000
1 – 30 days	40,130	43,837
31 – 60 days	25,219	23,002
61 – 90 days	12,602	8,143
Over 90 days	10,062	7,738
	88,013	82,720
	88,013	82,720

12. TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the receipt of goods purchased, is as follows:

	30.6.2005 (Unaudited) HK\$'000	31.12.2004 (Audited) HK\$'000
1 – 30 days	34,452	29,211
31 – 60 days	22,700	15,933
61 – 90 days	11,752	8,961
91 – 180 days	6,869	9,126
Over 180 days	5,403	5,167
	81,176	68,398
	81,176	68,398

13. COMMITMENTS IN RESPECT OF ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At 30 June 2005, the Group had the following commitments in respect of acquisition of property, plant and equipment:

	30.6.2005 (Unaudited) HK\$'000	31.12.2004 (Restated) (Audited) HK\$'000
Contracted for but not provided in the financial statements in respect of:		
Buildings	14,435	16,689
Plant and machinery	3,434	11,839
	17,869	28,528
	17,869	28,528