



INTERIM REPORT FOR 2005

WONG'S INTERNATIONAL (HOLDINGS) LIMITED

王氏國際(集團)有限公司*

(Incorporated in Bermuda with limited liability)

* *For identification purpose only*

The Directors announce that the unaudited consolidated results of the Group for the six months ended 30th June, 2005 were as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Notes	Six months ended 30th June,	
		2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover	5	1,289,288	1,140,354
Interest income		4,603	1,741
Realised gain on disposal of investments in securities		–	20
Increase in fair value of investment properties		2,210	–
Fair value changes on financial instruments		(1,569)	–
Other operating income		8,415	9,275
Changes in inventories of finished goods and work-in-progress		(23,281)	(12,501)
Raw materials and consumables used		(1,022,094)	(879,945)
		(1,045,375)	(892,446)
Staff costs		(103,881)	(97,320)
Depreciation		(39,785)	(37,769)
Amortisation on development costs		(7,393)	–
Other operating expenses		(87,208)	(93,828)
Finance costs	6	(8,143)	(3,652)
Loss on disposal of interest in an associate		(378)	–
Gain on disposal of interest in a subsidiary		–	2,773
Share of results of associates		488	1,056
Write back of allowance for loan advanced to an associate		5,995	–
Profit before taxation	7	17,267	30,204
Taxation	8	(3,885)	(4,230)
Profit for the period		13,382	25,974
Attributable to:			
Equity holders of the parent		13,385	26,024
Minority interests		(3)	(50)
		13,382	25,974
Dividend	9	–	4,669
Earnings per share	10	HK\$0.03	HK\$0.06

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2005

	Notes	At 30/6/2005 <i>HK\$'000</i> (Unaudited)	At 31/12/2004 <i>HK\$'000</i> (Audited) (Restated)
Non-current assets			
Investment properties	11	13,700	11,490
Property, plant and equipment	12	376,968	410,672
Interests in associates		207,540	213,228
Investments in securities		–	8,239
Available-for-sale financial assets		226	–
Held-to-maturity financial assets		8,043	–
Prepaid lease payments on land use rights		1,885	1,905
Development cost capitalised	13	23,966	23,808
		<u>632,328</u>	<u>669,342</u>
Current assets			
Inventories		392,271	423,593
Trade and other receivables	14	543,113	497,061
Prepaid lease payments on land use rights		41	41
Tax reserve certificate	18	4,557	–
Deposits and prepayments		20,057	22,415
Bank balances and cash		194,740	174,530
		<u>1,154,779</u>	<u>1,117,640</u>
Current liabilities			
Trade and other payables	15	540,574	511,479
Tax payable		8,315	3,338
Amount due to an associate		6,851	6,851
Derivative financial instruments		1,569	–
Bills payable		3,032	1,448
Bank borrowings due within one year	16	422,899	434,558
		<u>983,240</u>	<u>957,674</u>
Net current assets		<u>171,539</u>	<u>159,966</u>
Total assets less current liabilities		<u><u>803,867</u></u>	<u><u>829,308</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2005

	Notes	At 30/6/2005 <i>HK\$'000</i> (Unaudited)	At 31/12/2004 <i>HK\$'000</i> (Audited) (Restated)
Capital and reserves			
Share capital		46,692	46,692
Reserves		<u>588,089</u>	<u>578,714</u>
Equity attributable to equity holders of the parent		634,781	625,406
Minority interests		<u>346</u>	<u>349</u>
Total equity		<u>635,127</u>	<u>625,755</u>
Non-current liabilities			
Bank borrowings due after one year	16	168,740	202,420
Deferred taxation	17	<u>–</u>	<u>1,133</u>
		<u>168,740</u>	<u>203,553</u>
		<u>803,867</u>	<u><u>829,308</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Attributable to equity holders of the parent											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Dividend reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2004	46,692	148,864	345	331,559	-	706	9,339	(66,885)	137,381	608,001	-	608,001
Exchange difference directly recognised in equity	-	-	-	-	-	-	-	4,219	-	4,219	-	4,219
Net profit (loss) for the period	-	-	-	-	-	-	-	-	26,024	26,024	(50)	25,974
Total recognised income and expenses for the period	-	-	-	-	-	-	-	4,219	26,024	30,243	(50)	30,193
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	-	396	396
Dividend set aside (Note 9)	-	-	-	-	-	-	4,669	-	(4,669)	-	-	-
Dividend paid	-	-	-	-	-	-	(9,339)	-	-	(9,339)	-	(9,339)
At 30th June, 2004 and 1st July, 2004	46,692	148,864	345	331,559	-	706	4,669	(62,666)	158,736	628,905	346	629,251
Exchange difference directly recognised in equity	-	-	-	-	-	-	-	(1,382)	-	(1,382)	-	(1,382)
Net profit for the period	-	-	-	-	-	-	-	-	2,552	2,552	3	2,555
Total recognised income and expenses for the period	-	-	-	-	-	-	-	(1,382)	2,552	1,170	3	1,173
Dividend set aside	-	-	-	-	-	-	9,339	-	(9,339)	-	-	-
Dividend paid	-	-	-	-	-	-	(4,669)	-	-	(4,669)	-	(4,669)
At 31st December, 2004 and 1st January, 2005	46,692	148,864	345	331,559	-	706	9,339	(64,048)	151,949	625,406	349	625,755
As originally stated	46,692	148,864	345	331,559	-	706	9,339	(64,048)	151,949	625,406	349	625,755
Effect of changes in accounting policy (Note 2)	-	-	-	-	-	(706)	-	-	706	-	-	-
As restated	46,692	148,864	345	331,559	-	-	9,339	(64,048)	152,655	625,406	349	625,755
Exchange difference not recognised in the income statement	-	-	-	-	-	-	-	5,299	-	5,299	-	5,299
Gain on available-for-sale financial assets	-	-	-	-	30	-	-	-	-	30	-	30
Net income recognised directly in equity	-	-	-	-	30	-	-	5,299	-	5,329	-	5,329
Net profit (loss) for the period	-	-	-	-	-	-	-	-	13,385	13,385	(3)	13,382
Total recognised income and expenses for the period	-	-	-	-	30	-	-	5,299	13,385	18,714	(3)	18,711
Dividend paid	-	-	-	-	-	-	(9,339)	-	-	(9,339)	-	(9,339)
At 30th June, 2005	46,692	148,864	345	331,559	30	-	-	(58,749)	166,040	634,781	346	635,127

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	72,340	(51,376)
Investing activities		
Purchase of tax reserve certificate	(4,557)	–
Proceeds from disposal of an associate	9,250	–
Proceeds from disposal of a subsidiary	–	3,000
Other investing activities	984	(27,155)
Net cash from (used in) investing activities	5,677	(24,155)
Financing activities		
Dividend paid	(9,339)	(9,339)
New bank borrowings raised	115,544	97,400
Repayment of bank borrowings	(160,778)	(120,196)
Other financing activities	(8,151)	(3,256)
Net cash used in financing activities	(62,724)	(35,391)
Net increase (decrease) in cash and cash equivalents	15,293	(110,922)
Cash and cash equivalents at 1st January	174,530	335,500
Effect of exchange rate changes	4,917	4,034
Cash and cash equivalents at 30th June	<u>194,740</u>	<u>228,612</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>194,740</u>	<u>228,612</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (“the Group”) for the year ended 31st 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 the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. 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:

Business combinations

In the current period, the Group has applied HKFRS 3, “Business Combinations”, the principal effects of the application of HKFRS 3 to the Group are summarised below:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

2. PRINCIPAL ACCOUNTING POLICIES – Continued

Goodwill

In previous periods, goodwill arising on acquisition of an associate was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3 from 1st January, 2005, and has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated. (See Note 3 for the financial impact).

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1st January, 2005 of HK\$706,000 which was previously recorded in reserves with a corresponding increase to accumulated profits.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application, however, there is no impact on the presentation of financial instruments to the financial statements as a result of adoption of HKAS 32. HKAS 39, which is effective for accounting periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

2. PRINCIPAL ACCOUNTING POLICIES – Continued

Debt and equity securities previously accounted for under the benchmark treatment of SSAP 24

By 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice (“SSAP”) 24. Under SSAP 24, investments in debt or equity securities are classified as “investment securities”, “other investments” or “held-to-maturity investments” as appropriate. “Investment securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st January, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method. Accordingly, the amounts due from associates has recognised HK\$4,005,000 as imputed interest income for the period. (See Note 3 for the financial impact).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

2. PRINCIPAL ACCOUNTING POLICIES – Continued

Derivatives

From 1st January, 2005 onwards, the Group's derivative financial instruments, mainly represented currency forward contracts, which are within the scope of HKAS 39, are carried at fair value at each balance sheet date as held for trading instruments. The changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. (See Note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and a right to use a land in The People's Republic of China were included in intangible asset, measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under 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 interest 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. However, the allocation of lease payments between land and buildings elements cannot be made reliably, the leasehold interest in land continues to be accounted for as property, plant and equipment. On the other hand, the intangible asset is reclassified to prepaid lease payments on land use rights under operating leases. This change in accounting policy has been applied retrospectively. (See Note 3 for the financial impact).

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. (See Note 3 for the financial impact).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described in Note 2 above on the results for the current and prior periods are as follows:

	Six months ended 30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain arising from fair value changes of investment properties	2,210	–
Recognition of interest income on amounts due from associates	4,005	–
Loss arising from fair value changes of financial instruments	(1,569)	–
Decrease in amortisation of goodwill of an associate	111	–
	<hr/>	<hr/>
Increase in net profit for the period	<u>4,757</u>	<u>–</u>

Analysis of increase (decrease) in net profit for the period by line items presented according to their function:

	Six months ended 30th June,	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase in fair value of investment properties	2,210	–
Fair value changes on financial instruments	(1,569)	–
Share of result of associates	(41)	(290)
Interest income	4,005	–
Taxation	152	290
	<hr/>	<hr/>
	<u>4,757</u>	<u>–</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

**3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING
POLICIES – Continued**

The cumulative effect of the application of the new HKFRSs on the balance sheet as at 31st December, 2004 and 1st January, 2005 are summarised as follows:

	As at 31/12/2004 (originally stated) HK\$'000		As at 31/12/2004 (restated) HK\$'000		As at 1/1/2005 (restated) HK\$'000
		Adjustments HK\$'000		Adjustments HK\$'000	
Investment in securities	8,239	–	8,239	(8,239)	–
Intangible asset	1,946	(1,946)	–	–	–
Available-for-sale financial assets	–	–	–	196	196
Held-to-maturity financial assets	–	–	–	8,043	8,043
Prepaid lease payments on land use rights	–	1,946	1,946	–	1,946
Other assets/liabilities	615,570	–	615,570	–	615,570
Net assets	<u>625,755</u>	<u>–</u>	<u>625,755</u>	<u>–</u>	<u>625,755</u>
Share capital	46,692	–	46,692	–	46,692
Accumulated profits	151,949	–	151,949	706	152,655
Capital reserve	706	–	706	(706)	–
Other reserves	426,059	–	426,059	–	426,059
Minority interests	–	349	349	–	349
Total equity	<u>625,406</u>	<u>349</u>	<u>625,755</u>	<u>–</u>	<u>625,755</u>
Minority interests	<u>349</u>	<u>(349)</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>625,755</u>	<u>–</u>	<u>625,755</u>	<u>–</u>	<u>625,755</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES – Continued

Potential impact of new standards not yet adopted

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new Standards or Interpretations 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 (Amendments)	Cash Flow Hedge Accounting for Forecast Intragroup Transactions 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

4. SEGMENT INFORMATION

For management segment reporting purposes, the Group was organised into two operating divisions – EMS* electronic products and ODM** electronic products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

EMS electronic products – manufacture and distribution of electronic products for EMS customers.

ODM electronic products – original product design and marketing for ODM customers.

* EMS denotes electronic manufacturing service

** ODM denotes original design and marketing

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

4. SEGMENT INFORMATION – Continued

Segment information for the six months ended 30th June, 2005 and 2004 is as follows:

Business segments

	For the six months ended 30th June, 2005				Consolidated HK\$'000
	EMS division HK\$'000	ODM division HK\$'000	Other divisions# HK\$'000	Eliminations HK\$'000	
	TURNOVER				
External sales	1,272,923	15,930	435	–	1,289,288
Inter-segment sales	4,525	–	–	(4,525)	–
Total	<u>1,277,448</u>	<u>15,930</u>	<u>435</u>	<u>(4,525)</u>	<u>1,289,288</u>
SEGMENT RESULT	<u>41,435</u>	<u>(29,591)</u>	<u>123</u>		11,967
Unallocated corporate expenses					(5,680)
Interest income					4,603
Other operating income					8,415
Finance costs					(8,143)
Write back of allowance for loan advanced to an associate					5,995
Loss on disposal of interest in an associate					(378)
Share of results of associates					488
Profit before taxation					<u>17,267</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

4. SEGMENT INFORMATION – Continued

Business segments – Continued

	For the six months ended 30th June, 2004				
	EMS	ODM	Other	Eliminations	Consolidated
	division	division	divisions [#]		
<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
TURNOVER					
External sales	1,135,591	4,370	393	–	1,140,354
Inter-segment sales	693	–	–	(693)	–
	<u>1,136,284</u>	<u>4,370</u>	<u>393</u>	<u>(693)</u>	<u>1,140,354</u>
Total	<u>1,136,284</u>	<u>4,370</u>	<u>393</u>	<u>(693)</u>	<u>1,140,354</u>
SEGMENT RESULT	<u>45,414</u>	<u>(13,666)</u>	<u>(2,541)</u>		29,207
Unallocated corporate expenses					(10,196)
Interest income					1,741
Other operating income					9,275
Finance costs					(3,652)
Gain on disposal of interest in a subsidiary					2,773
Share of results of associates					1,056
Profit before taxation					<u>30,204</u>

Other divisions included properties investment and sales of goods other than EMS and ODM products.

The transactions with inter-segments were carried out at the estimated market prices determined by the Company's directors.

5. TURNOVER

Turnover represents the aggregate of gross invoiced sales less returns and discounts.

6. FINANCE COSTS

The amounts represent interest on bank loans and overdrafts which are wholly repayable within five years.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

7. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation	40,106	37,769
Less: amount capitalised to development costs	(321)	–
Amount charged to the income statement	39,785	37,769
Loss on disposal of investment properties	–	11
Loss on disposal of property, plant and equipment	37	1,137
Research and development costs	3,635	4,308

8. TAXATION

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
The charge comprises:		
Profits tax		
Hong Kong	4,204	4,937
Other jurisdictions	42	25
Under provision in the previous period	772	776
Deferred tax (Note 17)	(1,133)	(1,508)
	3,885	4,230

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDEND

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Proposed interim dividend	–	4,669

The Directors have resolved not to pay an interim dividend. For the period ended 30th June, 2004, the Directors had resolved to pay an interim dividend of HK\$0.01 per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period of HK\$13,385,000 (six months ended 30/6/2004: HK\$26,024,000) and the number of ordinary shares of 466,921,794 (six months ended 30/6/2004: 466,921,794).

No diluted earnings per share have been presented as there were no potential ordinary shares in issue in both periods.

11. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
At valuation:	
At 1st January, 2005	11,490
Increase in fair value	2,210
	<hr/>
At 30th June, 2005	<u>13,700</u>

The investment properties are situated in Hong Kong and are held under medium-term leases.

The Group's investment properties were fair-valued by Savills (Hong Kong) Limited, an independent professional valuer. The resulting increase in fair value of the investment properties of HK\$2,210,000 has been recognised in the income statement for the period.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$6,179,000 on additions to property, plant and equipment. In addition, the Group disposed of property, plant and equipment with an aggregate net book value of approximately HK\$54,000.

13. DEVELOPMENT COST CAPITALISED

During the period, the Group capitalised approximately HK\$7,784,000 as development cost. The development cost is amortised on a straight-line basis over a period of 2 years.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

14. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	At 30/6/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
0 – 60 days	461,157	404,662
61 – 90 days	7,708	36,536
Over 90 days	18,364	22,938
	<hr/>	<hr/>
	487,229	464,136
Other receivables	55,884	32,925
	<hr/>	<hr/>
	543,113	497,061
	<hr/> <hr/>	<hr/> <hr/>

15. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	At 30/6/2005	At 31/12/2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables		
0 – 60 days	405,379	285,255
61 – 90 days	7,677	10,050
Over 90 days	57,060	103,850
	<hr/>	<hr/>
	470,116	399,155
Other payables	70,458	112,324
	<hr/>	<hr/>
	540,574	511,479
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

16. BANK BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$116 million and repaid the trust receipts loans and bank loan of approximately HK\$161 million. The loans bear interest at market rates and are repayable within five years from the balance sheet date. The proceeds were used to finance its operations. The bank loan borrowings are secured, except for approximately HK\$224 million due within one year which is unsecured.

17. DEFERRED TAXATION

The followings are the major deferred tax (liability) asset recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax allowances HK\$'000	Estimated tax losses HK\$'000	Total HK\$'000
At 1st January, 2004	(7,727)	2,087	(5,640)
Credited to the income statement	1,158	350	1,508
At 30th June, 2004 and 1st July, 2004	(6,569)	2,437	(4,132)
Credited (charged) to the income statement	3,408	(409)	2,999
At 31st December, 2004 and 1st January, 2005	(3,161)	2,028	(1,133)
Credited (charged) to the income statement	1,629	(496)	1,133
At 30th June, 2005	(1,532)	1,532	–

At 30th June, 2005, the Group has estimated unused tax losses of HK\$421 million (31/12/2004: HK\$384 million) available for offsetting against future profits. A deferred tax asset has been recognised in respect of HK\$10 million (31/12/2004: HK\$12 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$411 million (31/12/2004: HK\$372 million) due to the unpredictability of future profit streams. Included in estimated unused tax losses are losses of HK\$52 million (31/12/2004: HK\$35 million) that will expire in 2010. Other tax losses may be carried forward indefinitely.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

18. CONTINGENT LIABILITIES

At 30th June, 2005, a subsidiary of the Group has dispute with Inland Revenue Department regarding additional tax assessments charging certain non-taxable interest income claimed in the profits tax returns for the years of assessment 1998/1999 and 1999/2000 of approximately HK\$4,557,000. Tax reserve certificate of the same amount has been purchased and was recorded in the balance sheet as at 30th June, 2005. The directors are of the view that the possible obligation is remote as there are ample grounds to contest the said assessments and the subsidiary is pursuing objection against the additional assessments vigorously. Accordingly, no provision for taxation has been made in the financial statements.

INTERIM DIVIDEND

The Directors have resolved not to pay an interim dividend (2004: HK\$0.01 per share). The Directors will determine the amount of final dividend for 2005 based on the Group's performance in the second half year. The Directors are presently optimistic at the Group's results for the whole year.

REVIEW OF BUSINESS ACTIVITIES

The Group's turnover increased by 13.1% compared to the first half of 2004. But operating profit margin decreased due to rising costs and changes in sales mix.

The turnover of the factory in Shajing of the Electronic Manufacturing Service Division (the "EMS Division") increased slightly while the Division's factory in Suzhou achieved an about 139.3% increase in turnover in comparison to the first half of 2004. Overall, the Division's turnover increased by 12.1%. The operating profit of the Division was, however, adversely affected by changes in sales mix and increases in labour costs, especially in the case of the Shajing Factory.

The Original Design and Marketing Division (the "ODM Division") withdrew from the mobile phone market in China in the first half of 2005 in light of excessive supply and very fierce price competition. The Division is now mainly engaged in the development of RFID (Radio Frequency Identification) cards. In March 2005, Wireless Dynamics Inc., a member of the Division, announced the first RFID Reader/Writer SD (Secure Digital) ("SDID") in the industry. Since then, the Division has been working with a number of companies in North America exploring the commercial application of SDID in different areas such as contactless payment, product authentication, data and network security and retail supply chain logistics. Commercial shipment of the products is expected to start around the end of 2005.

The apartments of the residential development in the Mid-levels (the "Project") continued to sell well and the high level of selling prices in 2004 has been maintained. In view of the market conditions, the Directors have decided to write back HK\$6 million from the provision previously made against the Project.

FINANCE

As at 30th June, 2005, the Group had net bank borrowings of HK\$397 million (31/12/2004: HK\$462 million) representing 62.5% (31/12/2004: 73.9%) of its shareholders' equity.

Most of the Group's sales are conducted in US\$ and costs and expenses are mainly in US\$ or HK\$. Forward exchange contracts are used to hedge exposures where necessary.

CAPITAL STRUCTURE

There has been no significant change in the capital structure of the Group since 31st December, 2004.

EMPLOYEES

As at 30th June, 2005, the Group employed approximately 5,400 employees, out of which approximately 3,600 are production workers. In addition to the provision of annual bonuses, medical and life insurances and in-house and external training programs, discretionary bonuses and share options are also available to employees based on their performance. The remuneration policy and packages of the Group are reviewed on a periodical basis.

PROSPECTS

Based on the level of orders on hand and forecasts from customers, the Directors expect that the EMS Division can achieve significant sales growth in the second half of 2005 and its profit margin is expected to increase as a result of economies of scale notwithstanding the increase in costs and overheads caused by the recent appreciation of the Renminbi.

The Directors do not expect the ODM Division to turn profitable in the second half of 2005 although the Division's costs and overheads had been reduced to a level commensurate with the present level of business. The Directors do believe that the market for RFID products is emerging and fast growing and the Division's focus on this category of products will benefit the Group's profitability in the long term.

On behalf of the Directors, I would like to thank our customers, suppliers and business partners for their continued confidence in and support for the Group. I would also like to thank our employees for their loyal, diligent and professional services to the Group.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at 30th June, 2005, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”), were as follows:

Long positions in shares of the Company

Name of Directors	Capacity	Number of ordinary shares	Percentage interests
Wong Chung Mat, Ben	Beneficial owner and founder of discretionary trust (Note 1)	75,810,699	16.24%
Wong Chung Ah, Johnny	Beneficial owner, interest of child or spouse and founder of discretionary trust (Note 2)	40,693,487	8.72%
Chan Tsze Wah, Gabriel	Beneficial owner	1,237,500	0.27%
Chan Wing Kwong, Paulus	Beneficial owner	1,800,000	0.39%
Tan Chang On, Lawrence	Beneficial owner	10,000	0.00%

Notes:

1. Mr. Wong Chung Mat, Ben was deemed (by virtue of the SFO) to be interested in 75,810,699 shares in the Company. These shares were held in the following capacity:
 - (a) 1,000,000 shares were held by Mr. Wong Chung Mat, Ben personally.
 - (b) 74,810,699 shares were held by Salop Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Mat, Ben was regarded as the founder (by virtue of the SFO). The references to 74,810,699 shares deemed to be interested by Mr. Wong Chung Mat, Ben (as disclosed herein), Salop Investment Limited (as disclosed in the section headed “Interests of substantial shareholders”) and Batsford Limited (as disclosed in Note 4(a) under the section headed “Interests of substantial shareholders”) relate to the same block of shares.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

Long positions in shares of the Company – Continued

Notes: – Continued

2. Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 40,693,487 shares in the Company. These shares were held in the following capacity:
 - (a) 1,000,000 shares were held by Mr. Wong Chung Ah, Johnny personally.
 - (b) 1,235,000 shares were held by Ms. Luk Kit Ching, wife of Mr. Wong Chung Ah, Johnny.
 - (c) 38,458,487 shares were held by Kong King International Limited for a discretionary trust, of which Mr. Wong Chung Ah, Johnny was regarded as the founder (by virtue of the SFO). Kong King International Limited was wholly owned by Mountainview International Limited, which was wholly owned by HSBC Trustee (Cook Islands) Limited (formerly known as “Bermuda Trust (Cook Islands) Limited”). HSBC Trustee (Cook Islands) Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited. The references to 38,458,487 shares deemed to be interested by Mr. Wong Chung Ah, Johnny (as disclosed herein), Kong King International Limited, Mountainview International Limited and HSBC Trustee (Cook Islands) Limited (as disclosed in the section headed “Interests of substantial shareholders”), and HSBC International Trustee Limited (as disclosed in Note 3(b) under the section headed “Interests of substantial shareholders”) relate to the same block of shares.

Long positions in shares of associated corporations of the Company

Name of Director	Associated corporation	Capacity	Number of ordinary shares	Percentage interests
Wong Chung Ah, Johnny	Wong’s Properties Limited	Interest of controlled corporations (Note)	2	50%

Note: Mr. Wong Chung Ah, Johnny was deemed (by virtue of the SFO) to be interested in 2 shares in Wong’s Properties Limited. These shares were held by Blessea Investment Limited, which was 50% owned by Glorious Glow Limited, which in turn was wholly owned by Mr. Wong Chung Ah, Johnny.

Certain Directors held qualifying shares in certain subsidiaries of the Group on trust for the Company or other subsidiaries of the Group.

Save as disclosed herein, as at 30th June, 2005, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30th June, 2005, persons (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of substantial shareholders	Capacity	Number of ordinary shares	Percentage interests
W. S. Wong & Sons Company Limited	Beneficial owner and interest of controlled corporations (Note 1)	195,338,803	41.84%
Salop Investment Limited	Beneficial owner (Note 2)	74,810,699	16.02%
HSBC International Trustee Limited	Interest of controlled corporations and trustee (Note 3)	274,754,836	58.84%
Batsford Limited	Trustee (Note 4)	270,949,502	58.03%

Name of other persons	Capacity	Number of ordinary shares	Percentage interests
Kong King International Limited	Beneficial owner (Note 5)	38,458,487	8.24%
Mountainview International Limited	Trustee (Note 5)	38,458,487	8.24%
HSBC Trustee (Cook Islands) Limited	Trustee (Note 5)	38,458,487	8.24%
Wong Chung Yin, Michael	Founder of discretionary trust (Note 6)	30,183,960	6.46%

Notes:

1. W. S. Wong & Sons Company Limited was a company controlled by the Wong family and was deemed (by virtue of the SFO) to be interested in 195,338,803 shares in the Company. These shares were held in the following capacity:
 - (a) 191,830,837 shares were held by W. S. Wong & Sons Company Limited.
 - (b) 110,000 shares were held by Good Blend Limited, which was wholly owned by W. S. Wong & Sons Company Limited.
 - (c) 3,397,966 shares were held by Micro-Age Superstore Limited, which was wholly owned by W. S. Wong & Sons Company Limited.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company – Continued

Notes: – Continued

Each of Levy Investment Limited and Salop Investment Limited owned 19% of W. S. Wong & Sons Company Limited, and was in turn wholly owned by Batsford Limited. Accordingly, W. S. Wong & Sons Company Limited was regarded as a controlled corporation of Batsford Limited (by virtue of the SFO). The references to 195,338,803 shares deemed to be interested by W. S. Wong & Sons Company Limited (as disclosed herein) and Batsford Limited (as disclosed in Note 4(c) below) relate to the same block of shares.

Kong King International Limited owned 19% of W. S. Wong & Sons Company Limited. Each of Floral Inc. and Sycamore Assets Limited owned 10% of W. S. Wong & Sons Company Limited. Kong King International Limited and Floral Inc. were accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited. Sycamore Assets Limited was wholly owned by HSBC International Trustee Limited. Accordingly, W. S. Wong & Sons Company Limited was regarded as a controlled corporation of HSBC International Trustee Limited (by virtue of the SFO). The references to 195,338,803 shares deemed to be interested by W. S. Wong & Sons Company Limited (as disclosed herein) and HSBC International Trustee Limited (as disclosed in Note 3(e) below) relate to the same block of shares.

2. Please see Note 1(b) under the section headed “Interests of Directors and chief executives”.
3. HSBC International Trustee Limited was deemed (by virtue of the SFO) to be interested in 274,754,836 shares in the Company. These shares were held in the following capacity:
 - (a) 17,584,960 shares were held by Levy Pacific Limited for a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was regarded as the trustee (by virtue of the SFO). The references to 17,584,960 shares deemed to be interested by HSBC International Trustee Limited (as disclosed herein) and Mr. Wong Chung Yin, Michael (as disclosed in Note 6(b) below) relate to the same block of shares.
 - (b) 38,458,487 shares were held by Kong King International Limited for a discretionary trust, of which Mr. Wong Chung Ah, Johnny was regarded as the founder (by virtue of the SFO). Kong King International Limited was wholly owned by Mountainview International Limited, which was wholly owned by HSBC Trustee (Cook Islands) Limited. HSBC Trustee (Cook Islands) Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited. Please see Note 2(c) under the section headed “Interests of Directors and chief executives”.
 - (c) 11,357,150 shares were held by Floral Inc., which was wholly owned by HSBC Institutional Trust Services (BVI) Limited (formerly known as “Bermuda Trust (International) Limited”), for a discretionary trust. HSBC Institutional Trust Services (BVI) Limited was accustomed/obliged to act in accordance with the directions or instructions of HSBC International Trustee Limited.
 - (d) 12,015,436 shares were held by Sycamore Assets Limited, which was wholly owned by HSBC International Trustee Limited, for a discretionary trust.
 - (e) 195,338,803 shares were deemed to be interested by W. S. Wong & Sons Company Limited, which was regarded as a controlled corporation of HSBC International Trustee Limited (by virtue of the SFO). Please see Note 1 above.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Long positions in shares of the Company – Continued

Notes: – Continued

4. Batsford Limited was deemed (by virtue of the SFO) to be interested in 270,949,502 shares in the Company. These shares were held in the following capacity:
 - (a) 74,810,699 shares were held by Salop Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Mat, Ben was regarded as the founder (by virtue of the SFO). Please see Note 1(b) under the section headed “Interests of Directors and chief executives”.
 - (b) 800,000 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO). The references to 800,000 shares deemed to be interested by Batsford Limited (as disclosed herein) and Mr. Wong Chung Yin, Michael (as disclosed in Note 6(a) below) relate to the same block of shares.
 - (c) 195,338,803 shares were deemed to be interested by W. S. Wong & Sons Company Limited, which was regarded as a controlled corporation of Batsford Limited (by virtue of the SFO). Please see Note 1 above.
5. Please see Note 2(c) under the section headed “Interests of Directors and chief executives”.
6. Mr. Wong Chung Yin, Michael was deemed (by virtue of the SFO) to be interested in 30,183,960 shares in the Company. These shares were held in the following capacity:
 - (a) 800,000 shares were held by Levy Investment Limited (which was in turn wholly owned by Batsford Limited) for a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO). Please see Note 4(b) above.
 - (b) 17,584,960 shares were held by Levy Pacific Limited for a discretionary trust, of which Mr. Wong Chung Yin, Michael was regarded as the founder (by virtue of the SFO) and HSBC International Trustee Limited was regarded as the trustee (by virtue of the SFO). Please see Note 3(a) above.
 - (c) 11,799,000 shares were held for The Pacific Way Unit Trust. Mr. Wong Chung Yin, Michael was regarded as the founder of the discretionary trust (by virtue of the SFO) in relation to the same block of shares.

Save as disclosed, the Directors are not aware of any other persons who, as at 30th June, 2005, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTIONS

There were no outstanding options at the beginning and at the end of the period.

During the six months ended 30th June, 2005, no options were granted, exercised, cancelled or lapsed.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30th June, 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the “Code on Corporate Governance Practices” (the “Code”) as set out in Appendix 14 to the Listing Rules, except for the following deviations:

1. Code provision A.2.1

Mr. Wong Chung Mat, Ben is the Group’s Chairman and Chief Executive Officer and has occupied these two positions since February, 2003. In allowing the two positions to be occupied by the same person, the Company has considered the following:

- (a) Both positions require in-depth knowledge and considerable experience of the Group’s business. Candidates with the suitable knowledge, experience and leadership are difficult to find both within and outside the Group. If either of the positions is occupied by an unqualified person, the Group’s performance could be gravely compromised.
- (b) The Company believes that the supervision of the Board and its independent non-executive directors can provide an effective check and balance mechanism and ensures that the interests of the shareholders are adequately represented.

2. Code provision A.4.1

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, every Director of the Company is now subject to retirement by rotation under Bye-law 112 of the Bye-laws of the Company . As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code for the six months ended 30th June, 2005.

AUDIT COMMITTEE

The Audit Committee, which comprises all Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June, 2005.

WONG CHUNG MAT, BEN

Chairman

Hong Kong, 14th September, 2005