

1. Basis of preparation and accounting policies

These interim financial statements have been prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and basis of preparation adopted in these interim financial statements are consistent with those adopted in the Company’s 2005 Annual Report except for the adoption of new and revised HKFRSs and HKASs as disclosed in note 2 below.

2.1 Impact of new and revised HKFRSs and HKASs

The HKICPA has issued a number of new and revised HKFRSs, HKASs and Interpretations, which are generally effective for accounting periods beginning on or after 1 January 2006. The Group has adopted the following HKFRSs and HKASs which are pertinent to its operations and relevant to these interim financial statements.

- | | |
|--------------------------------|---|
| • HKAS 21 Amendment | Net Investment in a Foreign Operation |
| • HKAS 39 Amendment | The Fair Value Option |
| • HKAS 39 & HKFRS 4 Amendments | Financial Guarantee Contracts |
| • HK(IFRIC)-Int 4 | Determining whether an Arrangement contains a Lease |

There was no material impact on the basis of preparation of the unaudited condensed consolidated interim financial statements arising from the above-mentioned accounting standards.

2.2 Impact of issued but not yet effective HKFRSs and HKASs

The Group has not applied the following new and revised HKFRS and HKAS, that have been issued but are not yet effective, to these interim financial statements:

- (a) HKAS 1 Amendment “Presentation of Financial Statements: Capital Disclosures”
- (b) HKFRS 7 “Financial Instruments: Disclosures”

HKAS 1 Amendment will affect the disclosures about qualitative information about the Group’s objective, policies and processes for managing capital, quantitative data about what the Group regards as capital; and compliance with any capital requirements and consequences of any non-compliance.

HKFRS 7 will replace HKAS 30 and modify the disclosure requirements of HKAS 32 relating to financial instruments.

The Group expects that the adoption of the above pronouncements will not have significant impact on the Group as at the date of the interim financial statements.

3. Segment information

The analysis of the Group's revenue and results by business segments and the Group's revenue by geographical segments is as follows:

(a) Business segments

The following table presents revenue and results by business segments for the six months ended 30 June 2006 and 2005.

	Electronic components		Trading of raw materials		Corporate and others		Consolidated	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	510,635	437,983	19,977	34,128	—	—	530,612	472,111
Other revenue	2,544	3,220	—	—	—	—	2,544	3,220
Total	513,179	441,203	19,977	34,128	—	—	533,156	475,331
Segment results	63,013	54,630	626	525	(132)	161	63,507	55,316
Interest income and unallocated gains							640	94
Finance costs							(9,299)	(3,429)
Share of profits and losses of jointly-controlled entities	906	103	—	—	—	—	906	103
Profit before tax							55,754	52,084
Tax							(3,678)	(7,516)
Profit for the Period							52,076	44,568

3. Segment information (Continued)

(b) Geographical segments

The following table presents revenue of the Group by geographical segments for the six months ended 30 June 2006 and 2005.

	Greater China															
	Hong Kong		Mainland China				Taiwan		Southeast Asia		Korea		Other countries		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Segment revenue:																
Sales to external customers	90,551	77,256	116,365	114,849	169,710	155,962	81,557	70,841	57,194	46,378	15,235	6,825	530,612	472,111		

4. Finance costs

For the six months ended 30 June

	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest on bank loans	9,221	3,266
Interest on finance leases	78	163
	9,299	3,429

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting) the following:

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Depreciation for property, plant and equipment	20,968	17,802
Recognition of prepaid land premiums	494	104
Amortisation of intangible assets	379	98
Foreign exchange losses/(gains), net	5,119	(1,597)
Gain on disposal of available-for-sale equity investments	(465)	—
Fair value gain on derivative instruments — transactions not qualifying as hedges	(239)	—
Bank interest income	(401)	(94)

6. Tax

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Current :		
Hong Kong	480	5,469
Mainland China	3,192	2,344
Other Overseas	6	—
	3,678	7,813
Deferred	—	(297)
Total tax charge for the Period	3,678	7,516

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiaries in Mainland China enjoy tax exemptions and reductions. Certain subsidiaries in Mainland China are subject to income taxes at applicable rates ranging from 10% to 27%.

The tax affairs of certain subsidiaries of the Group for prior years are currently under review by the Hong Kong Inland Revenue Department. Whilst management considers that the subsidiaries have grounds to support their tax position for prior years, the outcome of the review remains undetermined at the date of this report. The Directors of the Company, after consultation with the Company's tax advisers, consider that it is premature to estimate the amount of potential liabilities, if any, that may arise from the review and accordingly no additional tax provision has been made in the financial statements as at 30 June 2006.

7. Earnings per share attributable to equity holders of the Company

The calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK\$52,076,000 (2005: HK\$44,568,000), and the weighted average of 418,888,000 (2005: 372,884,000) ordinary shares in issue during the Period .

The calculation of diluted earnings per share is based on the profit for the Period attributable to equity holders of the Company of HK\$52,076,000 (2005: HK\$44,568,000). The weighted average number of ordinary shares used in the calculation is the 418,888,000 (2005: 372,884,000) ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average of 15,117,000 (2005: 8,480,000) and 6,495,000 (2005: 245,000) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options during the Period.

8. Interim dividend

The directors recommend the payment of an interim dividend of HK2.0 cents (2005: HK1.5 cents) per share, totalling HK\$8,588,000 (2005: HK\$6,015,000), for the six months ended 30 June 2006.

9. Trade receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the credit terms range from 120 to 150 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and hedges its credit risk through credit insurance policies. Overdue balances are regularly reviewed by senior management for monitoring collection procedures.

9. Trade receivables (Continued)

An aged analysis of trade receivables at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Less than 3 months	160,094	207,913
4 - 6 months	47,003	23,585
7 - 12 months	15,620	3,196
Over 1 year	1	218
	222,718	234,912

10. Available-for-sales equity investments

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Available-for-sales equity investments, at fair value:		
Overseas listed equity investments	11,743	13,806
Hong Kong listed equity investments	90	116
	11,833	13,922

The above investments consist of investments in equity securities which were designated as available-for-sales financial assets on 1 January 2005 and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices.

11. Trade payables

An aged analysis of the trade payables at the balance sheet date, based on the invoice date, is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Less than 3 months	62,290	95,824
4 - 6 months	32,273	12,630
7 - 12 months	3,033	460
Over 1 year	376	1,480
	97,972	110,394
Bills payable	60,210	65,928
	158,182	176,322

12. Share capital

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 429,368,825 (2005: 413,983,160) ordinary shares of HK\$0.10 each	42,937	41,398

A summary of the transactions involving the Company's share capital is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2006	413,983,160	41,398	88,797	130,195
Share options exercised	5,700,000	570	3,908	4,478
Warrants exercised	9,685,665	969	3,680	4,649
At 30 June 2006	429,368,825	42,937	96,385	139,322

(a) *Share options*

Details of the Company's share option schemes and the share options issued under the schemes are disclosed under the section "Share Option Schemes".

12. Share capital (Continued)

(b) Warrants

On 23 September 2004, the Company proposed a conditional bonus warrant issue to the shareholders of the Company on the register of members on 26 October 2004. The bonus warrant issue was made in the proportion of one warrant for every six shares of the Company, resulting in 62,142,333 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$0.48 per share, subject to amendment, from 4 November 2004 to 3 November 2006 (both days inclusive). The warrants were issued to the shareholders of the Company on 2 November 2004.

At 30 June 2006, the Company had 13,127,508 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 13,127,508 additional shares of HK\$0.10 each.

Notes to Condensed Consolidated Financial Statements

13. Reserves

	Share premium account (Unaudited) HK'000	Contributed surplus (Unaudited) HK'000	Asset revaluation reserve (Unaudited) HK'000	Hedging reserve (Unaudited) HK'000	Available- for-sale investment revaluation reserve (Unaudited) HK'000	Exchange fluctuation reserve (Unaudited) HK'000	PRC reserve funds (Unaudited) HK'000	Retained Profits (Unaudited) HK'000	Total (Unaudited) HK'000
At 1 January 2006	88,797	2,800	6,392	(768)	1,815	11,286	15,398	269,018	394,738
Realisation of revaluation reserve upon disposal of available-for-sale equity investments	—	—	—	—	(323)	—	—	—	(323)
Changes in fair value of available-for-sale equity investments	—	—	—	—	323	—	—	—	323
Net losses on cash flow hedges	—	—	—	(1,131)	—	—	—	—	(1,131)
Exchange realignment	—	—	—	—	—	6,904	—	—	6,904
Total income and expense recognised directly in equity	—	—	—	(1,131)	—	6,904	—	—	5,773
Profit for the Period	—	—	—	—	—	—	—	52,076	52,076
Total income and expense for the Period	—	—	—	(1,131)	—	6,904	—	52,076	57,849
Share options exercised	3,908	—	—	—	—	—	—	—	3,908
Warrants exercised	3,680	—	—	—	—	—	—	—	3,680
Proposed interim dividend	—	—	—	—	—	—	—	(8,588)	(8,588)
At 30 June 2006	96,385	2,800	6,392	(1,899)	1,815	18,190	15,398	312,506	451,587

Notes to Condensed Consolidated Financial Statements

13. Reserves (Continued)

	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Hedging reserve (Unaudited) HK\$'000	Available- for-sale investment revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Retained Profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2005	73,006	2,800	2,244	—	2,854	247	8,039	194,798	283,988
Changes in fair value of available-for-sale equity investments	—	—	—	—	(1,604)	—	—	—	(1,604)
Net losses on cash flow hedges	—	—	—	(3,652)	—	—	—	—	(3,652)
Exchange realignment	—	—	—	—	—	(256)	—	—	(256)
Total income and expense recognised directly in equity	—	—	—	(3,652)	(1,604)	(256)	—	—	(5,512)
Profit for the Period	—	—	—	—	—	—	—	44,568	44,568
Total income and expense for the Period	—	—	—	(3,652)	(1,604)	(256)	—	44,568	39,056
Warrants exercised	40	—	—	—	—	—	—	—	40
Additional 2004 final dividend	—	—	—	—	—	—	—	(2)	(2)
Proposed interim dividend	—	—	—	—	—	—	—	(6,015)	(6,015)
At 30 June 2005	73,046	2,800	2,244	(3,652)	1,250	(9)	8,039	233,349	317,067

14. Commitments

At the balance sheet date, the Group had the following capital commitments:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Contracted, but not provided for:		
Plant and machinery	444	9,696
Construction in progress	—	9,296
	444	18,992

15. Operating lease arrangement

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Office properties and warehouses:		
Within one year	9,595	11,185
In second to fifth years, inclusive	16,657	21,148
	26,252	32,333

16. Related party transactions

- (a) During the Period, the Group had the following material transactions with its jointly-controlled entities:

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Sales of raw materials	39	4,798
Purchase of raw materials	10,232	12,858

The above purchase of raw materials was carried out in accordance with the terms similar to those offered by other suppliers, except that a longer credit period was granted. The above sales transactions were carried out in accordance with the Group's pricing policy, and were calculated on a cost-plus basis.

- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Short term benefits	5,251	3,900
Pension scheme contributions	30	30
Total compensation paid to key management personnel	5,281	3,930

17. Post balance sheet events

Subsequent to the balance sheet date, a total of 5,600,000 share options with an exercise price of HK\$1.60 per share were granted to certain directors and employees of the Group on 8 August 2006 in recognition of their contributions to the Group. Of the share options granted, 3,300,000 share options are exercisable between 8 August 2006 and 25 May 2016 and the remaining 2,300,000 share options have a vesting period ranging from 8 August 2006 to 7 August 2007, and exercisable from 8 August 2007 to 25 May 2016. The price of the Company's share at the date of grant was HK\$1.60 per share.

At the date of approval of these financial statements, the Company had 12,700,000 share options outstanding, including 5,600,000 share options under a new share option scheme which was adopted by the Company on 26 May 2006. The total outstanding share options and the share options under the new share option scheme represented approximately 2.96% and 1.30% respectively of the Company's shares in issue as at this date.

18. Approval of the interim financial report

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 18 September 2006.