

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2006

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.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

In the current period, the Group had 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"), which are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results and financial position for the current or prior accounting period as prepared and presented. Accordingly, no prior period adjustment is required.

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

| | |
|--------------------|--------------------------------------------------------------------------------------------------------------------|
| HKAS 1 (Amendment) | Capital disclosures ¹ |
| HKFRS 7 | Financial instruments: Disclosures ¹ |
| HK(IFRIC)-Int-7 | Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ² |
| HK(IFRIC)-Int-8 | Scope of HKFRS 2 ³ |
| HK(IFRIC)-Int-9 | Reassessment of embedded derivatives ⁴ |

1 Effective for annual periods beginning on or after 1 January 2007.

2 Effective for annual periods beginning on or after 1 March 2006.

3 Effective for annual periods beginning on or after 1 May 2006.

4 Effective for annual periods beginning on or after 1 June 2006.

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3. 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 | |
| | 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 | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Segment revenue: | | | | | | | | | | |
| Sales to external customers | 1,891 | 2,152 | 52,480 | 52,667 | 71,294 | 78,420 | 102,520 | 109,356 | 228,185 | 242,595 |
| Segment results | 59 | 293 | 1,601 | 6,759 | 2,242 | 12,072 | 4,351 | 14,997 | 8,253 | 34,121 |
| Unallocated income less expenses | | | | | | | | | 1,652 | (2,390) |
| Finance costs | | | | | | | | | (2,759) | (671) |
| Profit before taxation | | | | | | | | | 7,146 | 31,060 |
| Income tax expenses | | | | | | | | | (376) | (705) |
| Net profit attributable to shareholders | | | | | | | | | 6,770 | 30,355 |

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4. FINANCE COSTS

| | Six months ended 30 June | |
|--------------------------------------------|---------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Interest on: | | |
| Bank loans wholly repayable within 5 years | 2,759 | 652 |
| Obligation under finance leases | – | 19 |
| | 2,759 | 671 |

5. PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|--------------------------------------------------------------|---------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Cost of inventories sold | 198,760 | 189,073 |
| Depreciation of property, plant and equipment | 10,114 | 9,004 |
| Amortisation of owner-occupied leasehold interest in land | 157 | 133 |
| Staff costs | 51,298 | 48,724 |
| Interest income | (426) | (368) |

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6. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---------------------------------------|---------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Current taxation: | | |
| Hong Kong | 14 | 231 |
| Other jurisdictions | 528 | 410 |
| | 542 | 641 |
| Under/(over) provision in prior years | | |
| Hong Kong | 2 | - |
| Other jurisdictions | (168) | 64 |
| | 376 | 705 |

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

7. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Period (six month ended 30 June 2005: Nil).

8. 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\$6,770,000 (2005: HK\$30,355,000) and the weighted average number of 1,440,004,800 (2005: 1,440,004,800) ordinary shares in issue during the Period.

Diluted earnings per share for both periods have 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.

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9. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group spent approximately HK\$13 million on acquisition of property, plant and equipment.

At 30 June 2006, 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.

10. 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:

| | 30.6.2006 (Unaudited) HK\$'000 | 31.12.2005 (Audited) HK\$'000 |
|--------------|-----------------------------------------------------------|-------------------------------------|
| 1 – 30 days | 42,545 | 45,457 |
| 31 – 60 days | 26,584 | 25,944 |
| 61 – 90 days | 10,455 | 13,726 |
| Over 90 days | 8,949 | 5,773 |
| | 88,533 | 90,900 |

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11. 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:

| | 30.6.2006 (Unaudited) HK\$'000 | 31.12.2005 (Audited) HK\$'000 |
|---------------|-----------------------------------------------------------|-------------------------------------|
| 1 – 30 days | 20,924 | 26,450 |
| 31 – 60 days | 8,761 | 16,897 |
| 61 – 90 days | 7,638 | 8,468 |
| 91 – 180 days | 7,635 | 9,087 |
| Over 180 days | 9,011 | 6,355 |
| | 53,969 | 67,257 |

12. OTHER PAYABLES

At 30 June 2006, other payables included an amount of HK\$10,000,000 payable to a company which was controlled by Ms. Wong Choi Fung, a director and shareholder of the Company (31 December 2005: Nil). This amount is unsecured, non interest-bearing and has no fixed term of repayment.

13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2006 (31 December 2005: Nil).

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

At 30 June 2006, the Group had the following commitments in respect of acquisition of property, plant and equipment:

| | 30.6.2006 (Unaudited) HK\$'000 | 31.12.2005 (Audited) HK\$'000 |
|----------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------|
| Contracted for but not provided in the financial statements in respect of: | | |
| Leasehold land and buildings | 15,844 | 21,610 |
| Plant and machinery | 642 | 1,334 |
| | 16,486 | 22,944 |

15. PLEDGE OF ASSETS

At 30 June 2006, certain property, plant and equipment with net book value of approximately HK\$42 million (31 December 2005: HK\$42 million) were pledged to secure the Group's banking facilities.

16. RELATED PARTY TRANSACTION

On 12 June 2006, the Group advanced an amount of HK\$10,000,000 from a company which was controlled by Ms. Wong Choi Fung, a director and shareholder of the Company. The amount is unsecured, non interest-bearing and has no fixed term of repayment. Subsequent to 30 June 2006 till the date of this report, the Group had repaid HK\$7,003,452 in respect of this amount.