

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 2. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property and certain buildings which have been measured at fair value. These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the financial statements for the year ended 31 December 2005 except for the adoption of new HKFRSs and HKASs as disclosed in note 2.1 below.

#### 2.1 IMPACT OF NEW HKFRSs AND HKASs

The HKICPA has issued a number of new HKFRSs, and 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 issued up to 30 June 2006 which are pertinent to its operations and relevant to these interim financial statements.

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts

There was no material impact on the basis of preparation of the unaudited condensed consolidated balance sheet and income statement arising from the above-mentioned accounting standards.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. SEGMENT INFORMATION

The following tables present revenue and results for the Group's business segments for the period ended 30 June 2006 and 2005.

(a) Business segments

	Unaudited six months ended 30 June 2006					
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:						
Sales to external customers	228,466	187,204	101,780	33,661	-	551,111
Intersegment sales	159	4,165	-	-	(4,324)	-
Total	<u>228,625</u>	<u>191,369</u>	<u>101,780</u>	<u>33,661</u>	<u>(4,324)</u>	<u>551,111</u>
Segment results	<u>65,489</u>	<u>14,423</u>	<u>5,736</u>	<u>(2,652)</u>	<u>(3,956)</u>	<u>79,040</u>
Unallocated income						7,886
Finance costs						(7,552)
Share of profits and losses of Associates						2,529
A jointly-controlled entity						2,602
Profit before tax						84,505
Tax						(11,170)
Profit for the period						<u>73,335</u>
	Unaudited six months ended 30 June 2005					
	Electrical fittings HK\$'000	Ironware parts HK\$'000	Communication facilities HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:						
Sales to external customers	159,281	206,375	100,152	20,747	-	486,555
Intersegment sales	-	2,123	-	-	(2,123)	-
Total	<u>159,281</u>	<u>208,498</u>	<u>100,152</u>	<u>20,747</u>	<u>(2,123)</u>	<u>486,555</u>
Segment results	<u>34,776</u>	<u>14,665</u>	<u>1,644</u>	<u>4,378</u>	<u>-</u>	<u>55,463</u>
Unallocated income						4,672
Finance costs						(8,994)
Share of profits and losses of Associates						2,892
Profit before tax						54,033
Tax						(9,185)
Profit for the period						<u>44,848</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. SEGMENT INFORMATION (Continued)

#### (b) Geographical segments

The following table presents unaudited revenue for the Group's geographical segments for the period ended 30 June 2006 and 2005.

	Unaudited six months ended 30 June											
	Hong Kong		Mainland China		Southeast Asia		Australia		Others		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:												
Sales to external customers	23,074	29,521	403,609	378,736	39,143	32,009	26,059	21,121	59,226	25,168	551,111	486,555
	<u>23,074</u>	<u>29,521</u>	<u>403,609</u>	<u>378,736</u>	<u>39,143</u>	<u>32,009</u>	<u>26,059</u>	<u>21,121</u>	<u>59,226</u>	<u>25,168</u>	<u>551,111</u>	<u>486,555</u>

### 4. PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Amortisation of leasehold land prepayments	226	250
Amortisation of prepayments	437	247
Depreciation of property, plant and equipment	12,812	11,356
Write-back of provision for obsolete inventories	(171)	(675)
	<u>13,785</u>	<u>12,178</u>

### 5. TAX

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.

	Unaudited Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	3,125	1,645
Current – Elsewhere		
Charge for the period	12,264	7,540
Overprovision in prior years	(4,219)	–
	<u>11,170</u>	<u>9,185</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5. TAX (Continued)

The share of tax attributable to associates amounting to HK\$508,000 (2005: HK\$669,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement. The jointly-controlled entity operating in Mainland China is exempted from corporate income tax for two years from its first profit making year and are eligible for a 50% relief from income tax for the following three years under the Income Tax Law. No provision for corporate income tax has been made for the jointly-controlled entity because the jointly-controlled entity is in its second profit making year.

The Group did not have any significant unprovided deferred tax liabilities as at 30 June 2006 (2005: Nil).

### 6. DIVIDENDS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Interim – HK0.80 cent (2005: HK0.50 cent) per ordinary share	<b>26,796</b>	16,497
Special – Nil (2005: HK0.20 cent) per ordinary share	–	6,599
	<b>26,796</b>	23,096

### 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the net profit for the period attributable to ordinary equity holders of the Company of HK\$73,345,000 (2005: HK\$45,503,000), and the weighted average of 3,302,787,293 (2005: 3,299,500,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period ended 30 June 2006 is based on the net profit for the period attributable to ordinary equity holders of the Company of HK\$73,345,000. The weighted average number of ordinary shares used in the calculation is the 3,302,787,293 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average of 16,542,059 ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options during the period.

Last year's share options outstanding did not have a material dilutive effect on the basic earnings per share.

### 8. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2006, the Group acquired assets with total cost of HK\$61,012,000 (six-month period ended 30 June 2005: HK\$38,828,000). Assets with a net book value of HK\$345,000 were written off by the Group during the six-month period ended 30 June 2006 (six-month period ended 30 June 2005: Nil).

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. INVESTMENT PROPERTY

	<b>Unaudited</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	Audited 31 December 2005 <i>HK\$'000</i>
Carrying amount at 1 January	<b>2,900</b>	1,800
Net profit from a fair value adjustment	<b>–</b>	1,100
	<b>2,900</b>	2,900

The Group's investment property held under the medium term lease is situated in Hong Kong and has been pledged as security against banking facilities granted to the Group.

The Group's investment property was revalued on 30 June 2006 by RHL Appraisal Ltd, an independent firm of professionally qualified valuers, at an open market, existings use basis of HK\$2,900,000 (31 December 2005: HK\$2,900,000). The investment property is leased to third parties under operating leases, further summary details of which are included in note 14 to the unaudited condensed consolidated financial statements.

### 10. TRADE AND BILLS RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	Audited 31 December 2005 <i>HK\$'000</i>
Trade receivables	<b>392,912</b>	365,858
Bills receivables	<b>7,197</b>	14,159
	<b>400,109</b>	380,017

It is the general policy of the Group to allow a credit period of three to six months except for the sale of fibre optic cable products on which a longer credit period of three to eighteen months is allowed in certain cases. In addition, for certain customers with long-established relationships and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of trade and bills receivables approximate their fair values.

An aged analysis of the Group's trade and bills receivables as at 30 June 2006, based on the invoice date, is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	Audited 31 December 2005 <i>HK\$'000</i>
Within 3 months	<b>292,974</b>	322,407
4 to 6 months, inclusive	<b>70,694</b>	34,458
7 to 9 months, inclusive	<b>12,533</b>	17,240
10 to 12 months, inclusive	<b>11,773</b>	4,109
More than 1 year	<b>19,522</b>	9,121
	<b>407,496</b>	387,335
Impairment allowances for bad and doubtful debts	<b>(7,387)</b>	(7,318)
	<b>400,109</b>	380,017

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11. TRADE AND BILLS PAYABLES

	<b>Unaudited 30 June 2006 HK\$'000</b>	Audited 31 December 2005 HK\$'000
Trade payables	<b>141,344</b>	143,314
Bills payables	<b>52,802</b>	69,899
	<b><u>194,146</u></b>	<u>213,213</u>

The carrying amounts of trade and bills payables approximate their fair values. The trade payables are non-interest-bearing and are normally settled on 60 to 90 days terms. An aged analysis of the Group's trade and bills payables as at 30 June 2006, based on the invoice date, is as follows:

	<b>Unaudited 30 June 2006 HK\$'000</b>	Audited 31 December 2005 HK\$'000
Within 3 months	<b>164,239</b>	192,288
4 to 6 months, inclusive	<b>21,819</b>	14,920
7 to 9 months, inclusive	<b>3,751</b>	3,056
10 to 12 months, inclusive	<b>1,132</b>	449
More than 1 year	<b>3,205</b>	2,500
	<b><u>194,146</u></b>	<u>213,213</u>

### 12. LONG TERM INTEREST-BEARING BANK BORROWINGS

	<b>Unaudited 30 June 2006 HK\$'000</b>	Audited 31 December 2005 HK\$'000
Bank loans – unsecured	<b>125,000</b>	93,750
	<b><u>125,000</u></b>	<u>93,750</u>

During the period, the Group entered into a loan agreement with, among other parties, Hang Seng Bank Limited and the Hongkong and Shanghai Banking Corporation Limited as coordinating arrangers in respect of the term loan facility up to an aggregate amount of HK\$200 million.

As at 30 June 2006, the Group utilised HK\$125 million to repay the previous long term loan and the balance of HK\$75 million has not been drawdown at the period end. The effective interest rate of the Group's long term bank loan is HIBOR plus 1.10% and it is supported by the corporate guarantees from the Company's subsidiaries.

The long term bank loan does not bear interest at fixed rates, so the fair value of non-current borrowing is not materially different from its book value.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13. SHARE CAPITAL

	<b>Unaudited 30 June 2006 HK\$'000</b>	Audited 31 December 2005 HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid: 3,349,500,000 (2005: 3,299,500,000) ordinary shares of HK\$0.01 each	<u>33,495</u>	<u>32,995</u>

During the period, the number of share was increased as 50,000,000 share options were exercised by the Company's directors.

### 14. OPERATING LEASE ARRANGEMENTS

#### (a) As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms of three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 June 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>Unaudited 30 June 2006 HK\$'000</b>	Audited 31 December 2005 HK\$'000
Within one year	470	853
In the second to fifth years, inclusive	614	1,208
	<u>1,084</u>	<u>2,061</u>

#### (b) As lessee

The Group leases certain of its use of land under operating lease arrangements which are negotiated for a lease term of 50 years. In addition, the Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of over five years.

At 30 June 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Unaudited 30 June 2006 HK\$'000</b>	Audited 31 December 2005 HK\$'000
Within one year	155	145
In the second to fifth years, inclusive	645	601
After five years	9,477	9,038
	<u>10,277</u>	<u>9,784</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 15. COMMITMENTS

In addition to the operating lease commitments set out in note 14(b) above, the Group had the following capital commitments contracted but not provided for at the balance sheet date:

	<b>Unaudited 30 June 2006 HK\$'000</b>	Audited 31 December 2005 HK\$'000
Purchases of property, plant and equipment	<b>83</b>	10,615
Construction of factory buildings in Mainland China	<b>9,266</b>	8,845
An investment in a subsidiary	<b>2,665</b>	22,579
	<b>12,014</b>	42,039

### 16. CONTINGENT LIABILITIES

At 30 June 2006, the Group had contingent liabilities in respect of outstanding irrevocable letters of credit of HK\$25.3 million (31 December 2005: HK\$44.0 million).

Save as disclosed above, the Group did not have any significant contingent liabilities at the balance sheet date.

### 17. RELATED PARTIES TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period.

	<b>Unaudited 30 June 2006 HK\$'000</b>	Unaudited 30 June 2005 HK\$'000
Associates:		
Sale of products (i)	<b>7,313</b>	5,007
Purchase of raw materials and finished goods (ii)	<b>-</b>	19
Technology consultancy fee (iii)	<b>300</b>	300
Rental income (iv)	<b>259</b>	250
A jointly-controlled entity:		
Sale of raw materials (v)	<b>610</b>	-
Purchase of raw materials and finished goods (ii)	<b>1,045</b>	-
Rental income (iv)	<b>459</b>	261
Sale of raw materials to a related company in which a director of the Company is a shareholder (vi)	<b>45</b>	-



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### 17. RELATED PARTIES TRANSACTIONS *(Continued)*

Notes:

- (i) The sales to the associates were made according to the terms similar to those offered to the Group's non-related customers.
- (ii) The purchases from the associates and a jointly-controlled entity were made according to the terms similar to those offered to the Group's non-related suppliers.
- (iii) The technology consultancy fee was received from associates for the provision of technology support provided by the Group charged at HK\$50,000 (2005: HK\$50,000) per month.
- (iv) The rental income received from an associate and a jointly-controlled entity represented the leasing of factory premises and staff quarters of the Group located at Shenzhen, the PRC and Xiamen, the PRC, respectively.
- (v) The sales to a jointly-controlled entity were made according to the terms similar to those offered to the Group's non-related customers.
- (vi) During the period, the Group sold raw materials of approximately HK\$45,000 (2005: Nil) to 福建石獅通達電機有限公司, a company owned as to 7.5% by Mr. Wang Ya Nan, a director of the Company. The selling price was determined with reference to the published prices offered to the Group's non-related customers.

### 18. PLEDGE OF ASSETS

Certain of the Group's borrowings at 30 June 2006 were secured by bank deposits, prepaid land lease payments and leasehold buildings in Mainland China.

### 19. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited condensed financial statements were approved and authorised for issue by the board of directors on 30 August 2006.