NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property which is measured at fair value.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31st December, 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA that are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Financial guarantee contracts (Continued)

The Group acts as the issuer of the financial guarantee contracts

Prior to 1st January, 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

As mentioned in Note 17, the Group provided a guarantee to a financial institution in respect of banking facilities granted to a trade debtor. However, there was no material effect on the results for the current and prior accounting periods.

In addition, the Group has applied the following accounting policy during the current interim period:

Interest in a jointly controlled entity

Joint venture arrangements which involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the condensed consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the condensed consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Interest in a jointly controlled entity (Continued)

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Intangible assets

Intangible assets represent trademarks with indefinite useful lives and are carried at cost less any subsequent accumulated impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Standards issued but not yet effective

The Group has not early applied all the new standard, amendment or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Geographical segments

The Group's primary format for reporting segment information is geographical segments by location of customer.

	Six months ended			
	30.6.2006	**30.6.2006**	30.6.2005	30.6.2005
	Revenue	**Results**	Revenue	Results
	HK$'000	**HK$'000**	HK$'000	HK$'000
Europe	**325,020**	**51,560**	213,235	36,226
United States	**134,185**	**22,966**	110,903	15,351
Asia	**38,437**	**862**	38,304	3,752
Other regions	**11,600**	**1,266**	13,176	1,906
	509,242	**76,654**	375,618	57,235
Unallocated corporate income		**2,249**		486
Unallocated corporate expenses		**(3,816)**		(2,287)
Finance costs		**–**		(15)
Profit before taxation		**75,087**		55,419
Taxation		**(9,280)**		(6,482)
Profit for the period		**65,807**		48,937

4. FINANCE COSTS

The finance costs represent interest expense on bank borrowings wholly repayable within five years.

5. TAXATION

	Six months ended	
	30.6.2006	30.6.2005
	HK$'000	HK$'000
Current taxation		
Hong Kong Profits Tax	**7,980**	3,818
Deferred taxation		
Current year	**1,300**	2,664
	9,280	6,482

5. TAXATION (Continued)

The charge represents Hong Kong Profits Tax calculated at 17.5% (six months ended 30th June, 2005: 17.5%) of the estimated assessable profit for the period.

A portion of the Group's profits neither arises in, nor is derived from, Hong Kong. Accordingly, that portion of the Group's profit is not subject to Hong Kong Profits Tax. Further, in the opinion of the Directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdiction in which the Group operates.

6. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2006	30.6.2005
	HK$'000	HK$'000
Profit for the period has been arrived at after charging:		
Amortisation of prepaid lease payments on land use rights	**431**	468
Depreciation of property, plant and equipment	**26,026**	24,898
Loss on disposal of property, plant and equipment	**1,543**	196
Net foreign exchange loss	**5,472**	–

7. DIVIDEND

	Six months ended	
	30.6.2006	30.6.2005
	HK$'000	HK$'000
Final dividend paid in respect of 2005 of 7 HK cents (2004: 9 HK cents) per share	26,856	34,122

The interim dividend in respect of 2006 of 7 HK cents (2005: 9 HK cents) per share amounting to a total of HK$26,856,000 (2005: HK$34,528,000) has been approved by the board of directors (the "Board") on 21st September, 2006.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30.6.2006 HK$'000	Six months ended 30.6.2005 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share – Profit for the period attributable to equity holders of the parent	**67,441**	49,037
Number of shares		
Number of shares for the purpose of basic earnings per share	**383,650,000**	379,130,000
Effect of dilutive potential shares in respect of share options		3,123,534
Weighted average number of shares for the purpose of diluted earnings per share		382,253,534

9. INVESTMENT PROPERTY

The Group's investment property was fair-valued by the Directors at 30th June, 2006. There were no changes in fair value on the investment property as at 30th June, 2006.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$66,834,000 (six months ended 30th June, 2005: HK$55,865,000) on property, plant and equipment.

11. INTANGIBLE ASSETS

The trademark purchased in current period is considered by the management of the Group as having an indefinite useful life. It will not be amortised until the useful live is determined to be finite upon reassessment of the useful lives annually by the management. The trademark has been tested for impairment in the current period by comparing its carrying amount with its recoverable amount and no impairment loss was charged for the current period.

12. LOAN RECEIVABLE

The amount is secured and carries interest at fixed interest rate at 5% per annum.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 30 days to 120 days to its trade debtors.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK$258,499,000 (31st December, 2005: HK$233,670,000), an aging analysis by overdue date of which at the balance sheet date is as follows:

	30.6.2006 HK$'000	31.12.2005 HK$'000
Current	**224,636**	180,277
1 to 90 days overdue	**30,757**	49,082
More than 90 days overdue	**3,106**	4,311
	258,499	233,670

14. ASSET CLASSIFIED AS HELD FOR SALE

On 10th February, 2006, the Group acquired of 80% interest in a jointly controlled entity, 深圳信樂誠投資顧問有限公司 at a consideration of HK$24,870,000. The consideration is partially settled by transferring the prepaid lease payment in respect of land use rights of the Group and partially settled by cash. An unrealised gain of HK$7,097,000 resulted from the transfer of prepaid lease payment is eliminated against the investment. The Group holds 80% of the registered capital of 深圳信樂誠投資顧問有限公司 and is jointly controlled by the Group and other joint venture partner under the joint venture agreement.

On 28th April, 2006 and 8th June, 2006, the Group entered into disposal agreements with a third party. The Directors resolved to dispose of all of the Group's equity interest in 深圳信樂誠投資顧問有限公司, which are expected to be sold within twelve months, have been classified as an asset held for sale and are presented separately in the balance sheet. The proceeds of disposal are expected to exceed the net carrying amount of the relevant investments and, accordingly, no impairment loss has been recognised on the classification of the interest in 深圳信樂誠投資顧問有限公司 as held for sale.

15. CREDITORS AND ACCRUED CHARGES

Included in the Group's creditors and accrued charges are trade creditors of HK$146,598,000 (31st December, 2005: HK$133,818,000), an aging analysis by overdue date of which at the balance sheet date is as follows:

	30.6.2006 HK$'000	31.12.2005 HK$'000
Current	**119,496**	90,089
1 to 90 days overdue	**24,537**	41,121
More than 90 days overdue	**2,565**	2,608
	146,598	133,818

16. NON-CASH TRANSACTION

During the period, the Group acquired a jointly controlled entity with part of the consideration of HK$15,709,000 settled by transferring the prepaid lease payment in respect of land use rights.

17. CONTINGENT LIABILITIES

	30.6.2006	31.12.2005
	HK$'000	HK$'000
Corporate guarantee to a financial institution in respect of banking facilities granted to a trade debtor	**9,687**	9,750

18. CAPITAL COMMITMENTS

	30.6.2006	31.12.2005
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements		
– buildings under construction	**35,792**	18,081
– leasehold improvements	**585**	961
– plant and machinery	**30,230**	9,597
– furniture, fixtures and office equipment	**377**	317
	66,984	28,956

19. RELATED PARTY TRANSACTION

Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

	Six months ended	
	30.6.2006	30.6.2005
	HK$'000	HK$'000
Short-term benefits	**2,896**	2,571

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.