# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs and Interpretations that affect the Group and are adopted for the first time for the current period's financial statements:

| | |
|---|---|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date |
| HKAS 12 | Income Taxes |
| HKAS 14 | Segment Reporting |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 18 | Revenue |
| HKAS 19 | Employee Benefits |
| HKAS 20 | Accounting for Government Grants and Disclosure of Government Assistance |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 23 | Borrowing Costs |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 31 | Interests in Joint Ventures |
| HKAS 32 | Financial Instruments: Disclosure and Presentation |
| HKAS 33 | Earnings per Share |
| HKAS 36 | Impairment of Assets |
| HKAS 37 | Provisions, Contingent Liabilities and Contingent Assets |
| HKAS 38 | Intangible Assets |
| HKAS 39 | Financial Instruments: Recognition and Measurement |
| HKFRS 2 | Share-based Payment |
| HKFRS 3 | Business Combinations |
| HK-Int 4 | Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

**1. Accounting policies** (continued)

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 20, 21, 23, 24, 27, 31, 33, 36, 37, 38, HKFRS 2 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

***(a) HKAS 17 – Leases***

In prior periods, leasehold land and buildings held for own use were carried at valuation less accumulated depreciation.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to lease premium for land, while leasehold buildings continue to be classified as part of property, plant and equipment. Lease premium for land are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. 

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. The changes have been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

***(b) HKAS 32 and HKAS 39 – Financial Instruments***

*(i) Equity securities*

In prior periods, long-term investments, which were held for non-trading purposes, were stated at cost less any impairment losses.

Upon the adoption of HKAS 32 and 39, these long-term investments are now defined as those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, long-term investments are measured at fair value with gains or losses being recognised as a separate components of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

**1. Accounting policies** (continued)

***(b) HKAS 32 and HKAS 39 – Financial Instruments*** (continued)

*(i) Equity securities* (continued)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques, market value of another instrument, which is substantially the same; and discounted cash flow analysis and option pricing models.

The Group assesses at each balance sheet date whether there is any objective evidence that a long-term investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.



If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement. The amount of the loss recognised in the income statement shall be the difference between the acquisition cost and current fair value, less any impairment loss on that long-term investment previously recognised in the income statement.

*(ii) Derivative financial instruments – foreign currency contracts*

The Group uses foreign currency contracts to hedge its risks associated with foreign currency fluctuations. In prior periods, these contracts were not designated as hedges and were recognised on a cash basis. Upon the adoption of HKAS 39, such existing contracts entered into before HKAS 39 is initially applied are not retrospectively designated as hedges. Foreign currency contracts entered into subsequent to the adoption of HKAS 39 are designated as hedges. In accordance with HKAS 39, foreign currency contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Such derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

**1. Accounting policies** (continued)

***(b) HKAS 32 and HKAS 39 – Financial Instruments*** (continued)

*(ii) Derivative financial instruments – foreign currency contracts* (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. Hedges are expected to be highly effective and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's hedges of the foreign currency risk relating to the exposure to variability in cash flows associated with a recognised asset or liability or a highly probable forecast transaction, which meet the strict criteria for hedge accounting are accounted for as cash flow hedges.

When accounting for cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the income statement in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the Group removes the associated gains and losses that were recognised directly in equity, and includes them in the initial cost or other carrying amount of the asset or liability.

For other cash flow hedges, amounts recognised directly in equity are recognised in the income statement in the same period or periods during which the forecast transaction affects profit or loss.

Cash flow hedge accounting shall be discontinued prospectively if the hedging instrument is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument remains separately recognised in equity until the forecast transaction occurs at which stage it is accounted for in accordance with the guidance given above depending on whether or not the forecast transaction results in the recognition of an asset or liability.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**1. Accounting policies** (continued)

***(b) HKAS 32 and HKAS 39 – Financial Instruments*** (continued)

*(ii) Derivative financial instruments – foreign currency contracts* (continued)

If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains in equity is recognised immediately in the income statement. If the entity revokes the designation for a hedge of a forecast transaction, the cumulative gain or loss recognised in equity remains separately recognised in equity until the forecast transaction occurs or is no longer expected to occur. If the transaction occurs, the cumulative gain is accounted for in accordance with the guidance given above depending on whether or not the forecast transaction results in the recognition of an asset or liability. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains in equity is recognised immediately in the income statement.



The effects of the changes mentioned in b(i) and b(ii) above are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

***(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets***

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**1. Accounting policies** (continued)

***(c) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets*** (continued)

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the cost of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes have been summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.



**2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES**

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

***(a) Effect on opening balance of total equity at 1 January 2005***

| **Effect of new policies (increase/ (decrease))** | Notes | **Net unrealised reserve (Unaudited)** HK$'000 | **Capital reserve (Unaudited)** HK$'000 | **Revaluation reserve (Unaudited)** HK$'000 | **Retained earnings (Unaudited)** HK$'000 | **Total (Unaudited)** HK$'000 |
|---|---|---|---|---|---|---|
| **Prior period adjustments:** | | | | | | |
| HKAS 17 – Leases | 1(a) | – | – | (2,818) | 2,401 | (417) |
| **Opening adjustments:** | | | | | | |
| HKAS 39 | | | | | | |
| – Long-term Investments | 1(b)(i) | 2,854 | – | – | – | 2,854 |
| HKFRS 3 | | | | | | |
| – Derecognition of negative goodwill | 1(c) | – | (417) | – | 1,186 | 769 |
| Total effect at 1 January 2005 | | 2,854 | (417) | (2,818) | 3,587 | 3,206 |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES** (continued)

***(b) Effect on opening balance of total equity at 1 January 2004***

| Effect of new policies (increase/ (decrease)) | Notes | Net unrealised reserve (Unaudited) HK$'000 | Capital reserve (Unaudited) HK$'000 | Revaluation reserve (Unaudited) HK$'000 | Retained earnings (Unaudited) HK$'000 | Total (Unaudited) HK$'000 |
|---|---|---|---|---|---|---|
| **Prior period adjustments:** | | | | | | |
| HKAS 17- Leases | 1(a) | – | – | – | 2,804 | 2,804 |
| Total effect at 1 January 2004 | | – | – | – | 2,804 | 2,804 |



The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKAS 39, the amounts shown for the six months ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

***(c) Effect on profit after tax for the six months ended 30 June 2005 and 2004***

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| **Effect of new policies (increase/ (decrease))** | Notes | **2005 Equity holders of the Company (Unaudited) HK$'000** | 2004 Equity holders of the Company (Unaudited) HK$'000 |
| **Effect on profit after tax:** | | | |
| HKAS 17 – Leases | 1(a) | **(38)** | (38) |
| Total effect for the period | | **(38)** | (38) |
| **Effect on earnings per share:** | | | |
| Basic | | **HK(0.01) cent** | HK(0.01) cent |
| Diluted | | **HK(0.01) cent** | HK(0.01) cent |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

## 2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (continued)

### *(d) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 June 2005 and 2004*

| Effect of new policies (increase/ (decrease)) | Notes | For the six months ended 30 June 2005 Equity holders of the Company (Unaudited) HK$'000 | 2004 Equity holders of the Company (Unaudited) HK$'000 |
|---|---|---|---|
| HKAS 39 | | | |
| – long-term investments | 1(b)(i) | **(1,604)** | – |
| – cash flow hedges | 1(b)(ii) | **(3,652)** | – |
| Total effect for the period | | **(5,256)** | – |

## 3. Segment Information

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

### *(a) Business segments*

The following table presents revenue and results of the Group by business segments for the six months ended 30 June 2005 and 2004.

| | Electronic components 2005 (Unaudited) HK$'000 | Electronic components 2004 (Unaudited) HK$'000 | Trading of raw materials 2005 (Unaudited) HK$'000 | Trading of raw materials 2004 (Unaudited) HK$'000 | Corporate and others 2005 (Unaudited) HK$'000 | Corporate and others 2004 (Unaudited) HK$'000 | Consolidated 2005 (Unaudited) HK$'000 | Consolidated 2004 (Unaudited) (restated) HK$'000 |
|---|---|---|---|---|---|---|---|---|
| Segment revenue: | | | | | | | | |
| Sales to external customers | **437,983** | 352,421 | **34,128** | 27,168 | **-** | – | **472,111** | 379,589 |
| Other revenue | **3,220** | 2,400 | **-** | 362 | **-** | – | **3,220** | 2,762 |
| Total | **441,203** | 354,821 | **34,128** | 27,530 | **-** | – | **475,331** | 382,351 |
| Segment results | **54,630** | 30,682 | **525** | 1,259 | **161** | (861) | **55,316** | 31,080 |
| Interest and dividend income and unallocated gains | | | | | | | **94** | 1,352 |
| Finance costs | | | | | | | **(3,429)** | (3,582) |
| Share of profits less losses of jointly controlled entities | **103** | (699) | **-** | – | **-** | – | **103** | (669) |
| Profit before tax | | | | | | | **52,084** | 28,181 |
| Tax | | | | | | | **(7,516)** | (4,182) |
| Profit for the Period | | | | | | | **44,568** | 23,999 |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**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 2005 and 2004.

| | Greater China | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Hong Kong | | Mainland China | | Taiwan | | Southeast Asia | | Other countries | | Consolidated | |
| | **2005 (Unaudited) HK$'000** | 2004 (Unaudited) HK$'000 | **2005 (Unaudited) HK$'000** | 2004 (Unaudited) HK$'000 | **2005 (Unaudited) HK$'000** | 2004 (Unaudited) HK$'000 | **2005 (Unaudited) HK$'000** | 2004 (Unaudited) HK$'000 | **2005 (Unaudited) HK$'000** | 2004 (Unaudited) HK$'000 | **2005 (Unaudited) HK$'000** | 2004 (Unaudited) HK$'000 |
| Segment revenue: Sales to external customers | **77,256** | 77,497 | **114,849** | 72,761 | **155,962** | 147,464 | **70,841** | 48,030 | **53,203** | 33,837 | **472,111** | 379,589 |

**4. Finance costs**

| | For the six months ended 30 June | |
|---|---|---|
| | **2005 (Unaudited) HK$'000** | 2004 (Unaudited) HK$'000 |
| Interest expenses on bank loans wholly repayable within five years | **3,266** | 3,224 |
| Interest on finance leases | **163** | 358 |
| | **3,429** | 3,582 |

**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 | |
|---|---|---|
| | **2005 (Unaudited) HK$'000** | 2004 (Unaudited) (restated) HK$'000 |
| Depreciation | **17,802** | 16,037 |
| Amortisation of lease premium for land | **104** | 104 |
| Amortisation of intangible assets | **98** | 161 |
| Amortisation of goodwill | **–** | 60 |
| Exchange gains, net | **(1,597)** | (1,034) |
| Gain on disposal of long-term investments | **–** | (1,235) |
| Negative goodwill recognised as income | **–** | (138) |
| Interest income | **(94)** | (115) |

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. Tax

| | For the six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Current tax: | | |
| Hong Kong | **5,469** | 1,964 |
| Mainland China | **2,344** | 2,325 |
| | **7,813** | 4,289 |
| Deferred tax | **(297)** | (107) |
| Total tax charge for the Period | **7,516** | 4,182 |

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the Period. The corporate income tax for the Mainland China subsidiaries is calculated at rates ranging from 10% to 27% (2004: 12% to 27%) on their estimated assessable profits for the period. No provision for overseas profits tax has been made as there were no overseas assessable profits for the Period (2004: Nil).

## 7. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit attributable to equity holders of the Company of approximately HK$44,568,000 (2004: HK$24,071,000 (as restated)) and the weighted average number of 372,884,148 (2004: 373,440,000) ordinary shares in issue during the Period.

The calculation of diluted earnings per share for the Period is based on the net profit attributable to equity holders of the Company of approximately HK$44,568,000 (2004: HK$24,071,000 (as restated)). The weighted average number of ordinary shares used in the calculation is 372,884,148 (2004: 373,440,000) ordinary shares in issue during the Period, as used in the calculation of basic earnings per share calculation, and the weighted average of 8,725,110 (2004: 473,569) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all warrants and share options during the Period.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 8. Interim dividend

The directors recommend the payment of an interim dividend of HK1.5 cents per share, totalling HK$6,015,000, for the six months ended 30 June 2005 (2004: Nil).

### 9. Long-term investments

| | **30 June 2005 (Unaudited) HK$'000** | 31 December 2004 (Audited) HK$'000 |
|---|---|---|
| Listed equity investments, at fair value: | | |
| Overseas | **13,632** | – |
| Listed equity investments, at cost: | | |
| Overseas | **–** | 12,382 |
| | **13,632** | 12,382 |



Long-term investments consist of investments in listed ordinary shares, and therefore have no fixed maturity date or coupon rate.

Losses on fair values of listed equity investments of HK$1,604,000 was recognised in the net unrealised gains reserve (note 13) during the Period.

### 10. 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 180 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 Export Credit Insurance Cover. Overdue balances are regularly reviewed by senior management.

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

| | **30 June 2005 (Unaudited) HK$'000** | 31 December 2004 (Audited) HK$'000 |
|---|---|---|
| Less than 3 months | **179,510** | 154,183 |
| 4 – 6 months | **26,741** | 34,283 |
| 7 – 12 months | **1,995** | 4,448 |
| Over 1 year | **165** | 731 |
| | **208,411** | 193,645 |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Trade payables

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

| | **30 June 2005 (Unaudited) HK$'000** | 31 December 2004 (Audited) HK$'000 |
|---|---|---|
| Less than 3 months | **90,476** | 76,539 |
| 4 – 6 months | **13,720** | 8,296 |
| 7 – 12 months | **137** | 164 |
| Over 1 year | **5,023** | 7,618 |
| Accounts payable | **109,356** | 92,617 |
| Bills payable | **44,365** | 40,911 |
| | **153,721** | 133,528 |

### 12. Share capital

| | **30 June 2005 (Unaudited) HK$'000** | 31 December 2004 (Audited) HK$'000 |
|---|---|---|
| Authorised: | | |
| 1,000,000,000 ordinary shares of HK$0.10 each | **100,000** | 100,000 |
| Issued and fully paid: | | |
| 372,959,999 (2004: 372,855,666) ordinary shares of HK$0.10 each | **37,296** | 37,286 |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

### 13. Reserves

| | Share premium account (Unaudited) HK$'000 | Contributed surplus (Unaudited) HK$'000 | Capital reserve (Unaudited) HK$'000 | Revaluation reserve (Unaudited) HK$'000 | Exchange fluctuation reserve (Unaudited) HK$'000 | PRC reserve funds (Unaudited) HK$'000 | Net unrealised gains reserve (Unaudited) HK$'000 | Retained earnings (Unaudited) HK$'000 | Total (Unaudited) HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2005: | | | | | | | | | |
| As previously reported | 73,006 | 2,800 | 417 | 5,062 | 247 | 8,039 | – | 191,211 | 280,782 |
| Prior period adjustments: (notes 1 and 2) | | | | | | | | | |
| HKAS 17 Leases | – | – | – | (2,818) | – | – | – | 2,401 | (417) |
| As restated, before opening adjustments | 73,006 | 2,800 | 417 | 2,244 | 247 | 8,039 | – | 193,612 | 280,365 |
| Opening adjustments: | | | | | | | | | |
| In respect of financial instruments | – | – | – | – | – | – | 2,854 | – | 2,854 |
| In respect of negative goodwill | – | – | (417) | – | – | – | – | 1,186 | 769 |
| As restated, after opening adjustments | 73,006 | 2,800 | – | 2,244 | 247 | 8,039 | 2,854 | 194,798 | 283,988 |
| Change in fair values of | | | | | | | | | |
| – Long-term investments | – | – | – | – | – | – | (1,604) | – | (1,604) |
| – Cash flow hedges | – | – | – | – | – | – | (3,652) | – | (3,652) |
| Warrants exercised | 40 | – | – | – | – | – | – | – | 40 |
| Exchange realignment | – | – | – | – | (256) | – | – | – | (256) |
| Profit for the period | – | – | – | – | – | – | – | 44,568 | 44,568 |
| Additional 2004 final dividends | – | – | – | – | – | – | – | (2) | (2) |
| Proposed interim dividend | – | – | – | – | – | – | – | (6,015) | (6,015) |
| Balance at 30 June 2005 | 73,046 | 2,800 | – | 2,244 | (9) | 8,039 | (2,402) | 233,349 | 317,067 |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**14. Commitments**

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

| | **30 June 2005 (Unaudited) HK$'000** | 31 December 2004 (Audited) HK$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Plant and machinery | **9,523** | 7,025 |
| Construction in progress | **8,786** | 11,343 |
| | **18,309** | 18,368 |

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

| | **30 June 2005 (Unaudited) HK$'000** | 31 December 2004 (Audited) HK$'000 |
|---|---|---|
| Leasehold buildings: | | |
| Within one year | **9,918** | 10,725 |
| In second to fifth years, inclusive | **21,003** | 23,875 |
| After five years | **–** | 1,430 |
| | **30,921** | 36,030 |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Related party transactions

During the Period, the Group had the following material transactions with its jointly controlled entities:

| | For the six months ended 30 June | |
|---|---|---|
| | **2005** | 2004 |
| | **(Unaudited)** | (Unaudited) |
| | **HK$'000** | HK$'000 |
| Purchases of raw materials | **12,858** | 8,475 |
| Sales of raw materials | **4,798** | 1,956 |

The above purchase transactions were carried out in accordance with the terms and conditions 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.



### 16. Comparative amounts

As further explained in note 1 to the unaudited condensed consolidated financial statements, due to the adoption of the new HKFRSs during the Period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been restated to conform with the current period's presentation.

### 17. Approval of the interim financial report

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 21 September 2005.