

## 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 16	Property, Plant and Equipment
HKAS 17	Leases
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 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share – based Payment

The adoption of HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 32, 33, 36, 38, 39 and HKFRS 2 have no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated interim financial statements. In summary, HKAS 1 has affected the presentation of minority interests, share of net after tax results of associates and other disclosures.

Upon the adoption of HKAS 17, the Group's land use rights are classified as operating leases, because the title of the land is not expected to pass to the Group by the end of the lease term, and are classified as prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The effect of the change is summarised in note 2 to the interim financial statements. However, a prior period adjustment is resulted that, as at 31 December 2004, the prepaid land lease payments decreased HK\$4,099,000, deferred tax liabilities decreased HK\$1,107,000 and the asset revaluation reserve decreased HK\$2,992,000 since the land use rights are previously stated at valuation less accumulated amortisation and any impairment losses. The comparatives on the condensed consolidated balance sheet for the year ended 31 December 2004 have been restated.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Summary of the impact of changes in accounting policies

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

Effect on opening balance of total equity at 1 January 2005

Effect of new policies Increase/(decrease)	Asset Revaluation Reserve (Unaudited) HK\$'000	Retained Profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Prior period adjustment:			
Prepaid land lease payments	(4,099)	-	(4,099)
Deferred tax liabilities	1,107	-	1,107
	<u>(2,992)</u>	<u>-</u>	<u>(2,992)</u>

### 3. Segment information

The Group is principally engaged in the manufacture and sale of Electrical fittings, Ironware parts and Communication facilities. An analysis of the Group's revenue and profit for the period by business segment is as follows:

#### (a) Business segments

	Electrical fittings		Ironware parts		Communication facilities		Corporate and others		Eliminations		Consolidated	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue												
Sales to external customers	159,281	139,312	206,375	175,756	100,152	64,482	20,747	14,406	-	-	486,555	393,956
Inter segment Sales	-	-	2,123	-	-	-	-	-	(2,123)	-	-	-
Total	<u>159,281</u>	<u>139,312</u>	<u>208,498</u>	<u>175,756</u>	<u>100,152</u>	<u>64,482</u>	<u>20,747</u>	<u>14,406</u>	<u>(2,123)</u>	<u>-</u>	<u>486,555</u>	<u>393,956</u>
Segment results	34,776	40,138	14,665	28,647	1,644	5,609	4,378	(8,083)	-	-	55,463	66,311
Unallocated income											4,672	2,091
Finance costs											(8,994)	(4,182)
Share of profit and loss of associates											3,561	2,422
Tax											(9,854)	(7,210)
Profit for the period											<u>44,848</u>	<u>59,432</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. Segment information (Continued)

The geographical segments of the Group's revenue are as follows:

(b) *Geographical segments*

The following table presents unaudited revenue and profit for the period for the Group's geographical segments for the six months ended 30 June 2005 and 2004.

	Revenue		Profit for	
	Six months ended		Six months ended	
	30 June		30 June	
	2005	2004	2005	2004
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China:				
Hong Kong	<b>29,521</b>	36,073	<b>2,691</b>	5,589
Elsewhere	<b>378,736</b>	328,671	<b>38,121</b>	49,583
Southeast Asian countries	<b>32,009</b>	1,891	<b>1,794</b>	1,176
Australia	<b>21,121</b>	14,690	<b>1,345</b>	1,919
Others	<b>25,168</b>	12,631	<b>897</b>	1,165
	<b>486,555</b>	393,956	<b>44,848</b>	59,432

### 4. Profit before tax

The profit before tax is stated after charging:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of leasehold land prepayments	<b>497</b>	468
Depreciation of owned fixed assets	<b>11,356</b>	8,896
Provision for obsolete stock and stock (write-back)/write-offs	<b>(675)</b>	1,628

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (Continued)

#### 5. Tax

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
The People's Republic of China:		
Hong Kong	<b>1,645</b>	–
Elsewhere	<b>7,540</b>	6,233
	<b>9,185</b>	6,233
Share of tax attributable to an associate	<b>669</b>	977
	<b>9,854</b>	7,210

Hong Kong profits tax is calculated at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the six months ended 30 June 2005. 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.

The Group and the Company did not have any significant unprovided deferred tax liabilities as at 30 June 2005 (2004: Nil).

#### 6. Earnings per share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to equity holders of the Company of HK\$45,503,000 (2004: HK\$58,720,000) and the weighted average of 3,299,500,000 (2004: 3,232,581,967) ordinary shares in issue during the period.

The share options outstanding did not have a material dilutive effect on the basic earnings per share.

#### 7. Dividends

	<b>Six months ended 30 June</b>	
	<b>2005</b>	2004
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividend	<b>16,497</b>	22,733
Special dividend	<b>6,599</b>	–

At the board meeting held on 26 September 2005, the Directors declared an interim dividend of HK\$0.005 (2004: HK\$0.007) and a special dividend of HK\$0.002 (2004: Nil) per share for the six months ended 30 June 2005.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (Continued)

#### 8. Investment property

<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
<b>2,170</b>	1,800

At 30 June 2005, the Group's investment property situated in Hong Kong were revalued at an open market value basis by Norton Appraisals Limited, at HK\$2,170,000. A revaluation surplus of HK\$370,000 arising therefrom has been credited to the consolidated income statement.

#### 9. Trade and bills receivables

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Trade receivables	<b>325,719</b>	332,390
Bills receivables	<b>35,287</b>	3,206
	<b>361,006</b>	335,596

The age of the Group's net trade and bills receivables are analysed as follows:

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Within 3 months	<b>285,446</b>	255,727
4 to 6 months	<b>41,343</b>	54,458
7 to 9 months	<b>24,203</b>	15,619
10 to 12 months	<b>7,528</b>	7,134
More than 1 year	<b>2,486</b>	2,658
	<b>361,006</b>	335,596

It is the general policy of the Group to allow a credit period of three to six months, except for the sale of fiber optic cable products on which a longer credit period was allowed. In addition, for certain customers with state-owned background and good past repayment histories, a longer credit period may be granted in order to maintain a good relationship.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (Continued)

#### 10. Trade And Bills Payables

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Trade payables	<b>124,545</b>	127,743
Bills payables	<b>44,214</b>	71,845
	<b><u>168,759</u></b>	<u>199,588</u>

The age of the Group's trade and bills payable are analysed as follows:

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Within 3 months	<b>127,727</b>	158,479
4 to 6 months	<b>19,111</b>	27,846
7 to 9 months	<b>15,846</b>	8,241
10 to 12 months	<b>3,743</b>	2,433
More than 1 year	<b>2,332</b>	2,589
	<b><u>168,759</u></b>	<u>199,588</u>

#### 11. Share Capital

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.01 each	<b>200,000</b>	200,000
Issued and fully paid: Ordinary shares of HK\$0.01 each	<b>32,995</b>	32,995
Number of shares	<b><u>3,299,500,000</u></b>	<u>3,299,500,000</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (Continued)

#### 12. Operating lease arrangements

##### (a) As lessor

The Group leases its investment property under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The term 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 2005, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Within one year	<b>170</b>	332

##### (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 ranged from two to five years.

At 30 June 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Within one year	<b>142</b>	299
In the second to fifth years, inclusive	<b>599</b>	594
After five years	<b>9,164</b>	9,240
	<b>9,905</b>	10,133

#### 13. Commitments

The Group had the following capital commitments contracted but not provided for at the balance sheet date:

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Additions to fixed assets	<b>19,906</b>	16,393
An investment in a subsidiary	<b>13,515</b>	24,627
	<b>33,421</b>	41,020

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (Continued)

#### 14. Long term bank loans

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Mortgage loan	<b>4,938</b>	5,903
Bank loan	<b>125,000</b>	—
	<b>129,938</b>	5,903

The bank loan is unsecured and is supported by corporate guarantees given by the Company.

#### 15. Contingent liabilities

At 30 June 2005, the Company had contingent liabilities in respect of corporate guarantees provided for banking facilities for certain subsidiaries and an associate, which were utilised to the extent of HK\$203.6 million (31 December 2004: HK\$50.8 million).

Save as disclosed above neither the Group, nor the Company, had any significant contingent liabilities as at 30 June 2005.

#### 16. Pledge of assets

Certain of the Group's borrowings at 30 June 2005 were secured by bank deposits, leasehold land and buildings and an investment property situated in Hong Kong owned by the Group.

#### 17. Deposits received

On 19 May 2005, the Company entered into an agreement for a disposal of the entire registered capital of a wholly-owned subsidiary, Tong Da Metals Co. Ltd., Shishi City, Fujian and the assignment of the shareholder's loan amounting to HK\$42,984,645, for a total cash consideration of HK\$54,984,645 ("the Disposal").

The Company has received a deposit of HK\$12,000,000 for the Disposal. Completion is conditional upon the fulfillment of a PRC legal opinion, and all approvals, consents, authorisation and licences being obtained from the relevant PRC authorities. Completion of the Disposal shall take place on or before 19 January 2006 or any subsequent date as agreed by the seller and the buyer. In view of the progress of the Disposal, the management expects that the Disposal will be completed before 31 December 2005. Within 6 months after the completion date, the remaining balance of consideration amounting to HK\$42,984,645 will be received.

The Disposal constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules as it exceeds 5% but not more than 25% of the applicable size tests under Chapter 14 of the Listing Rules.