

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated 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 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 1 December 2005 or 1 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 periods adjustment has been 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.

3. SEGMENTAL INFORMATION

Geographical Segments

The Group's primary format for reporting segment information is geographical segments, based on locations of customers.

Six months ended 30 June 2006 (Unaudited)

	Hong Kong and the People's Republic of China (the "PRC") HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Others HK\$'000	Consolidated HK\$'000
REVENUE	<u>1,088,412</u>	<u>386,868</u>	<u>72,959</u>	<u>17,112</u>	<u>1,565,351</u>
SEGMENT RESULT	<u>25,736</u>	<u>8,475</u>	<u>(1,376)</u>	<u>(1,495)</u>	31,340
Unallocated corporate income					1,767
Interest income					1,796
Reversal of impairment loss recognised in respect of deferred consideration on partial disposal of a subsidiary	–	1,227	–	–	1,227
Fair value changes in investments held-for-trading	–	(2,326)	–	–	(2,326)
Share of profit of associates	–	–	506	2,608	3,114
Finance costs					<u>(2,439)</u>
Profit before taxation					<u><u>34,479</u></u>

3. SEGMENTAL INFORMATION (continued)
Geographical Segments (continued)
Six months ended 30 June 2005 (Unaudited)

	Hong Kong and the PRC	Singapore	Malaysia	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	988,226	537,310	117,005	2,243	1,644,784
SEGMENT RESULT	23,966	14,176	288	232	38,662
Unallocated corporate income					48
Interest income					1,992
Allowance for impairment loss recognised in respect of deferred consideration on partial disposal of a subsidiary	–	(17,000)	–	–	(17,000)
Fair value changes in investments held-for-trading	–	(200)	–	–	(200)
Gain on disposal of available-for-sale investments	40	5,243			5,283
Share of profit of associates	–	–	324	2,442	2,766
Finance costs					(2,001)
Profit before taxation					29,550

4. REVERSAL OF (ALLOWANCE FOR) IMPAIRMENT LOSS RECOGNISED IN RESPECT OF DEFERRED CONSIDERATION ON PARTIAL DISPOSAL OF A SUBSIDIARY

In prior period, an impairment loss of HK\$17,000,000 was provided on the overdue deferred consideration arising on partial disposal of a subsidiary (which has since become an associate of the Group) as the Directors considered there are uncertainty to the recoverability of this receivable. In the current period, the Group conducted a similar review on the recoverability of its carrying value and a reversal of HK\$1,227,000 was recognised in the consolidated income statement. The reversal of/allowance for impairment loss is determined by reference to the fair value of the disposed shares that the Group is entitled to receive as a result of the counterparty failure to settle the deferred consideration.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Allowance for doubtful debts	7,554	2,165
Depreciation	1,124	1,218
Dividend income from investments held-for-trading	(1,236)	–
Exchange gain, net	(8,314)	(536)
Interest income	(1,796)	(1,992)
Share of the tax of associates (included in share of profit of associates)	830	1,542

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	4,223	3,450
Other jurisdictions	1,587	2,695
Overprovision for prior periods:		
Other jurisdictions	—	(61)
Income tax expense	5,810	6,084

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDEND

On 15 June 2006, a dividend of 4.5 HK cents per share, totalling HK\$12,085,000 (six months ended 30 June 2005: HK\$5,371,000) was paid to shareholders as the final dividend for the year ended 31 December 2005.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to the equity holders of the Company for the six months ended 30 June 2006 of HK\$28,661,000 (six months ended 30 June 2005: HK\$23,334,000) and 268,550,000 (six months ended 30 June 2005: 268,550,000) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the current and prior period.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$1,198,000 (six months ended 30 June 2005: HK\$731,000) on acquisition of plant and equipment.

At 30 June 2006, the Directors have considered the carrying amount of the Group's investment properties carried at fair values 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 fair value gain or loss has been recognised in the current period.

**10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

The Group maintained a defined credit policy. For sales of goods, the Group allows an average credit period of 30 – 60 days to its trade customers. Service income receivable from customers are payable on presentation of invoices.

The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within 30 days	306,608	350,803
31 to 90 days	54,309	65,718
91 to 120 days	1,949	4,465
Over 120 days	395	6,006
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Trade receivables	363,261	426,992
Other receivables, deposits and prepayments	40,934	33,767
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	404,195	460,759
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Included in other receivables, deposits and prepayments is a deferred consideration in relation to the partial disposal of the Group's equity interest in a subsidiary of HK\$19,352,000 (31 December 2005: HK\$17,239,000).

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within 30 days	206,494	223,179
31 to 90 days	8,662	16,210
91 to 120 days	365	2,100
Over 120 days	4,341	17,287
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Trade payables	219,862	258,776
Other payables and accruals	126,520	128,023
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	346,382	386,799
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12. BILLS PAYABLE

The aged analysis of bills payable as at 30 June 2006 and 31 December 2005 are both within 90 days.

13. BANK LOANS

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Secured	47,223	56,367
Unsecured	2,228	—
	49,451	56,367

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30 June 2006 and 31 December 2005	350,000	35,000
Issued and fully paid:		
At 30 June 2006 and 31 December 2005	268,550	26,855

15. PLEDGE OF ASSETS

At 30 June 2006, the Group had pledged certain of its assets with carrying value of HK\$57,757,000 (31 December 2005: HK\$57,020,000) to banks to secure general banking facilities granted to the Group and are analysed as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Investment properties	40,000	40,000
Pledged bank deposits	17,757	17,020
	57,757	57,020

16. CAPITAL COMMITMENTS

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	–	164
Capital expenditure in respect of unpaid capital contribution to an associate	–	700
	<u>–</u>	<u>864</u>

17. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with related companies:

	Associate		Related companies	
	Six months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	2,523	2,038	6,902	741
Purchases of goods	658	–	81	886
Operating lease rentals expense	–	–	2,985	3,063
Management fee income	583	495	–	–

The Directors of the Company, directly or indirectly, have beneficial interests in the related companies. Details of the Group's balances with the related parties at the balance sheet date are disclosed in the condensed consolidated balance sheet.

Compensation to key management personnel of the Group for the six months ended 30 June 2006 amounted to HK\$5,272,000 (six months ended 30 June 2005; HK\$4,329,000).