

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 Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 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 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has 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.

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3. POTENTIAL IMPACT ARISING FROM THE HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT EFFECTIVE

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

HKAS 1 (Amendment)	Capital disclosure 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 accounting periods beginning on or after 1 January 2007.

² Effective for accounting periods beginning on or after 1 March 2006.

³ Effective for accounting periods beginning on or after 1 May 2006.

⁴ Effective for accounting periods beginning on or after 1 June 2006.

4. SEGMENT INFORMATION

Business segments

The Group is mainly engaged in electroplating equipment business which includes the design, manufacture and sale of custom-built electroplating equipment. This business is the basis on which the Group reports its primary segment information.

In prior periods, the timber trading business was a reportable segment. With the change in its business size, no separate segment have been disclosed for both period and the timber trading business is included in other operations.

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4. SEGMENT INFORMATION (continued)

Business segments (continued)

Segment information is presented below.

For the six months ended 30 June 2006

	Electroplating equipment HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	345,879	773	—	346,652
RESULTS				
Segment results	19,595	(375)	3,126	22,346
Unallocated corporate expenses				(7,802)
Net change in fair value of investments held for trading				10,809
Net realised gain on investments held for trading				193
Share of results of associates				3,397
Finance costs — interest				(608)
Impairment loss recognised in respect of investment in an associate				(696)
Profit before taxation				27,639
Taxation				(3,258)
Profit for the period				24,381

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4. SEGMENT INFORMATION (continued)

Business segments (continued)

For the six months ended 30 June 2005

	Electroplating equipment HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	191,081	915	—	191,996
RESULTS				
Segment results	8,706	(1,390)	3,640	10,956
Unallocated corporate expenses				(7,923)
Net change in fair value of investments held for trading				(865)
Net realised gain on investments held for trading				486
Gain on disposal of available-for-sale investments				902
Share of results of associates				1,090
Finance costs — interest				(736)
Loss on liquidation of a subsidiary				(39)
Gain on disposal of an associate				500
Profit before taxation				4,371
Taxation				11
Profit for the period				4,382

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5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	2,814	2,511
Loss on disposal of property, plant and equipment	106	41

6. TAXATION

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
The taxation comprises:		
Hong Kong Profits Tax		
Charge for the period	(1,300)	—
(Under) over provision in prior years	(14)	90
	(1,314)	90
Overseas taxation		
Charge for the period	(1,529)	(79)
	(2,843)	11
Deferred taxation	(415)	—
	(3,258)	11

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6. TAXATION *(continued)*

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30 June 2006.

No tax is payable on the profit for the prior period arising in Hong Kong since the assessable profit was wholly absorbed by the estimated tax losses brought forward.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDEND

No dividends were paid during either period. The directors do not recommend the payment of any interim dividend.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period of HK\$24,733,000 (six months ended 30 June 2005: HK\$4,090,000) and the number of ordinary shares of 426,463,400 (six months ended 30 June 2005: 426,463,400).

No diluted earnings per share have been presented as there were no potential ordinary shares in issue in both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the period from 1 January 2006 to 30 June 2006, the Group spent HK\$2,661,000 (six months ended 30.6.2005: HK\$981,000) on acquisition of property, plant and equipment.

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10. LOANS RECEIVABLE

The following is the maturity profile of loans receivable at the reporting date:

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Repayable within 3 months	2,249	2,779
Repayable after 3 months but within 6 months	988	61
Repayable after 6 months but within 1 year	289	846
	3,526	3,686
Repayable after 1 year	1,135	1,276
Total	4,661	4,962

11. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.6.2006 HK\$'000	31.12.2005 HK\$'000
Trade debtors	148,278	157,607
Bills receivable	12,650	—
Other debtors and prepayments	25,530	19,033
	186,458	176,640

The Group allows a general credit period of one month to its trade customers except construction contracts where the Group allows staged payments. In general, credit will only be offered to customers in accordance with their financial creditabilities and established payment records. The bills receivable will be matured within 180 days.

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11. DEBTORS, DEPOSITS AND PREPAYMENTS *(continued)*

The following is an aged analysis of trade debtors as at the reporting date:

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Current	136,766	144,355
Overdue by:		
0 - 60 days	7,100	5,060
61 - 120 days	2,895	3,009
121 - 180 days	508	1,866
Over 180 days	1,009	3,317
	148,278	157,607

12. CREDITORS, BILLS PAYABLE AND ACCRUED CHARGES

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Trade creditors	120,126	77,917
Bills payable	5,923	913
Other creditors and accrued charges	91,108	78,320
	217,157	157,150

The following is an aged analysis of trade creditors as at the reporting date:

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
0 - 60 days	71,173	43,205
61 - 120 days	36,858	13,974
121 - 180 days	6,888	14,847
Over 180 days	5,207	5,891
	120,126	77,917

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13. BANK BORROWINGS WITHIN ONE YEAR

During the period, the Group obtained new bank loans amounting to HK\$87,493,000. The loans bear interest at market rates and are repayable within one year. The proceeds were used to finance the working capital of the Group.

14. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Shares of HK\$0.01 each		
Authorised		
At 1 January 2006 and at 30 June 2006	20,000,000	200,000
Issued and fully paid:		
At 1 January 2006 and at 30 June 2006	426,463	4,265

15. RELATED PARTY TRANSACTION

The remuneration of key management during the period was HK\$6,607,000 (six months ended 30 June 2005: HK\$5,944,000).