

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2001

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and 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").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001, except as described below.

In the current period, the Group has adopted, for the first time, the following new or revised SSAP.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the condensed financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the accumulated profits as at 1st April, 2000 by HK\$38,469,000 and as at 1st April, 2001 by HK\$43,320,000 respectively.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the

goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SEGMENT INFORMATION

The business and geographical segments of the operations of the Group are as follows:

	Turnover		Contribution to profit from operations	
	Six months ended 30th September, 2001 HK\$'000	2000 HK\$'000	Six months ended 30th September, 2001 HK\$'000	2000 HK\$'000
Business segments				
Manufacture of mould bases	356,863	373,618	55,119	81,839
Trading of metal and parts	94,746	132,309	11,788	26,783
	451,609	505,927	66,907	108,622

Geographical segments

Hong Kong and elsewhere in the People's Republic of China (the "PRC")	352,051	420,774
Other countries	99,558	85,153
	451,609	505,927

Contribution to profit from operations by geographical location of customers not been presented as the contribution to profit from operations in each market is substantially in line with the overall Group's ratio of profit from operations to turnover.

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after (crediting) charging:

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
(Gain) loss on disposal of investment in securities	(2,235)	50
Gain on disposal of property, plant and equipment	(632)	(960)

5. TAXATION

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the period	2,106	8,805
Taxation in jurisdictions outside Hong Kong	8,141	10,000
	10,247	18,805

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates in those jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are entitled to an exemption from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. In the current period, certain PRC subsidiaries are exempted from PRC income tax, and other PRC subsidiaries enjoyed a 50% reduction on PRC income tax.

Certain income of the Group is not subject to taxation in the jurisdictions in which the Group operates.

6. DIVIDEND

On 15th August, 2001, a dividend of HK9 cents (2000 final dividend: HK8 cents) per share was paid to shareholders as final dividend for 2001.

The directors have determined that an interim dividend of HK3 cents per share (2000: HK6 cents) should be paid to the shareholders of the Company whose names appear in the Register of Members on 31st December, 2001.

7. EARNINGS PER SHARE

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

	Six months ended 30th September,	
	2001	2000
	HK\$'000	HK\$'000
Earnings		
Earnings for the purposes of basic earnings per share	43,031	71,307
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of the group headed by Lung Kee Metal Holdings Limited ("LKMH") based on dilution of their earnings per share	(94)	(243)
Earnings for the purposes of diluted earnings per share	42,937	71,064
Number of shares	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	482,225	480,917
Effect of dilutive potential ordinary shares on exercise of options of the Company	2,122	2,201
Weighted average number of ordinary shares for the purposes of diluted earnings per share	484,347	483,118

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

In the opinion of the directors, there is no material difference between the carrying amount and the market value of the investment properties as at 30th September, 2001.

During the period, the Group spent HK\$23,312,000, HK\$7,394,000 and HK\$7,102,000 on acquisition of plant and machinery, furniture and equipment and other assets, respectively, for the purpose of expanding the Group.

In addition, the Group acquired a parcel of land in the PRC at a consideration of approximately HK\$2,824,000 under a medium-term lease. This parcel of land will be used for constructing a production plant.

9. INVESTMENT IN SECURITIES

During the period, the Group disposed of all the investment securities, which are classified as held-to-maturity debt securities, to an independent third party at a consideration of approximately HK\$31,774,000 resulting in a gain on disposal in an amount of approximately HK\$2,235,000.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

Included in trade and other receivables are trade receivables of HK\$306,928,000 (31st March, 2001: HK\$239,215,000) and their aged analysis is as follows:

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
0-60 days	165,028	189,908
61-90 days	76,378	41,731
Over 90 days	65,522	7,576
	306,928	239,215

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$70,034,000 (31st March, 2001: HK\$76,674,000) and their aged analysis is as follows:

	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
0-60 days	35,252	44,972
61-90 days	12,441	9,182
Over 90 days	22,341	22,520
	70,034	76,674

12. UNSECURED BANK BORROWINGS

During the period, the Group raised new bank loans in the amount of approximately HK\$170,065,000. The loans bear interest at market rates and are repayable within 1 year. The proceeds were used for general working capital purposes.

In addition, the Group has repaid bank loans amounting to approximately HK\$87,148,000 during the period.

13. SHARE CAPITAL

	Authorised at		Issued and fully paid at	
	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000	30th September, 2001 HK\$'000	31st March, 2001 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period/year	60,000	60,000	48,120	38,441
Bonus issue (one bonus share for every four shares)	—	—	—	9,624
Share issued on exercise of share options	—	—	275	55
At end of the period/year	60,000	60,000	48,395	48,120

14. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Translation reserve HK\$'000	Total HK\$'000
At 1st April, 2000					
— as originally stated	108,670	9,049	427,958	112	545,789
— prior period adjustment in respect of change in accounting policy for dividend recognition	—	—	38,469	—	38,469
— as restated	108,670	9,049	466,427	112	584,258
Capitalisation for bonus issue of shares	(9,624)	—	—	—	(9,624)
Shares issued on exercise of share options	380	—	—	—	380
Capital reserve arising on acquisition of additional interest in a subsidiary	—	(719)	—	—	(719)
Exchange differences arising from translation of foreign currency financial statements	—	—	—	899	899
Final dividend for the year ended 31st March, 2000	—	—	(38,469)	—	(38,469)
Net profit for the year	—	—	129,606	—	129,606
Dividend (note 6)	—	—	(28,899)	—	(28,899)
At 31st March, 2001 and 1st April, 2001	99,426	8,330	528,665	1,011	637,432
Shares issued on exercise of share options	1,154	—	—	—	1,154
Capital reserve arising on acquisition of additional interest in a subsidiary	—	272	—	—	272
Exchange differences arising from translation of foreign currency financial statements	—	—	—	(421)	(421)
Final dividend for the year ended 31st March, 2001	—	—	(43,320)	—	(43,320)
Net profit for the period	—	—	43,031	—	43,031
Dividend (note 6)	—	—	(236)	—	(236)
At 30th September, 2001	100,580	8,602	528,140	590	637,912

15. CAPITAL COMMITMENTS

As at 30th September, 2001, the Group had capital expenditure amounting to approximately HK\$25,042,000 in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

16. ACQUISITION OF A SUBSIDIARY

In July 2001, the Group acquired 70% of the issued share capital of Taiwan Supertech Industrial Company Limited for a cash consideration of approximately HK\$11,904,000. This transaction has been accounted for using the acquisition method of accounting.

The effect of the acquisition is summarised as follows:

	HK\$'000
Property, plant and equipment	15,326
Inventories	4,328
Trade and other receivables	20,776
Bank balances and cash	2,176
Trade and other payables	(15,678)
Bank borrowings	(15,482)
Obligations under finance leases	(3,796)
Minority interests	(2,295)
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Net assets acquired	5,355
Goodwill arising on consolidation	6,549
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Cash consideration	11,904
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Net cash outflow arising on acquisition	
Cash consideration	11,904
Bank balances and cash acquired	(2,176)
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	9,728
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Taiwan Supertech Industrial Company Limited did not make any significant contribution to the results of the Group during the current period.