

NOTES TO INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA"), and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies and basis of preparation used in the preparation of these interim financial statements are consistent with those used in the annual accounts for the year ended 31 March 2001 except that the Group has adopted the following SSAPs, which are effective for accounting period commencing on or after 1 January 2001, during the period:

SSAP 9 (Revised)	Events after the balance sheet date
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1 April 2001, in order to comply with SSAP 9 (Revised) "Events after the balance sheet date", issued by the HKSA, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). As a result of this change in accounting policy, the Group's net assets at 30 September 2001 have been increased by HK\$24,352,000 (at 31 March 2001: HK\$36,529,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. This new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

In adopting SSAPs 30 and 31, the negative goodwill arising from acquisition of subsidiaries, associates and jointly controlled entities is now capitalised and amortised over its estimated useful life to the profit and loss account. In previous years, negative goodwill was eliminated against reserves in the year of acquisition.

With the introduction of SSAP 30, the Group has adopted the transitional provisions prescribed therein, and as a result all negative goodwill arising from acquisitions before 31 March 2001 will continue to be eliminated against reserves and no reinstatement has been made. However, any impairment arising on such goodwill is recognised in the profit and loss account. Goodwill arising on acquisition after 31 March 2001 is capitalised in the balance sheet and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill arising on acquisition after 31 March 2001 is recognised as income on a systematic basis over the remaining useful life of the non-monetary assets acquired to the extent that the negative goodwill does not relate to identified expected future losses and expenses at the date of acquisition.

The gain or loss on disposal of subsidiaries, associates or jointly controlled entities includes the unamortised balance of negative goodwill relating to the entity disposed of or, for acquisitions prior to 31 March 2001, the related goodwill previously eliminated against reserves to the extent it has not previously been realised in the profit and loss account.

2. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net invoiced value of goods sold during the period, after allowances for returns and trade discounts, but excludes intra-group transactions. An analysis of the Group's turnover and contribution to profit from operating activities by principal activity is not provided because profit from operating activities was derived predominantly from the manufacture and sales of plastic injection moulding machines and related products.

An analysis of the Group's turnover and contribution to profit from operating activities by geographical area of customer type during the financial period is as follows:

	Turnover Six months ended 30 September		Contribution to profit from operating activities Six months ended 30 September	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Mainland China	328,576	299,962	64,717	63,077
Hong Kong	91,485	112,550	9,593	22,427
Taiwan	65,613	167,914	9,852	31,863
Other Asian countries	33,758	37,034	4,369	6,012
The Middle East and Africa	18,434	18,389	2,514	2,674
Others	34,015	19,996	5,164	3,051
	571,881	655,845	96,209	129,104
Finance costs			(6,211)	(3,766)
Share of profits less losses of a jointly controlled entity and associates			3,168	3,843
Profit before tax			93,166	129,181

3. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Cost of inventories sold	374,051	415,213
Depreciation of fixed assets	21,120	18,238
(Gain)/Loss on disposal of fixed assets	(14)	104
Amortisation of goodwill	45	45
Amortisation of negative goodwill	(18)	-
Interest on bank loans wholly repayable within 5 years	6,211	3,766
Net exchange gains	(1,039)	(77)
Dividend income from listed investments	(14)	(5)
Interest income	(7,486)	(12,889)

4. TAX

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Hong Kong tax	180	5,187
Overseas tax	15,181	16,531
Deferred tax	2,271	4,467
	17,632	26,185

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. 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.

5. DIVIDENDS

(a) Dividends attributable to the interim period

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interim dividend declared after the interim period end of HK\$0.04 per ordinary share (2000: HK\$0.04)	24,352	24,352

At the board meeting held on 14 December 2001, the directors declared an interim dividend of HK\$0.04 per share. This proposed dividend is not reflected as a dividend payable in these interim condensed financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2002.

(b) Dividends attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$0.06 per ordinary share (2000: HK\$0.02)	36,529	12,176

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of HK\$50,168,000 (2000: HK\$76,435,000) and on 608,807,600 (2000: 608,807,600) ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on the profit attributable to shareholders for the period of HK\$50,168,000 and on 610,087,623 ordinary shares, being the weighted average number of ordinary shares outstanding during the period adjusted for the effect of dilutive potential ordinary shares outstanding during the period. Diluted earnings per share for the prior period has not been calculated as there were no diluting events existed during the prior period.

7. INVENTORIES

The carrying amount of inventories included in the amount of HK\$362,211,000 (at 31 March 2001: HK\$333,081,000) that are carried at net realisable value was HK\$18,600,000 (at 31 March 2001: HK\$16,954,000).

8. CASH AND CASH EQUIVALENTS

	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Cash and bank balances	168,320	140,306
Time deposits	305,660	373,797
	473,980	514,103

9. TRADE RECEIVABLES

Trading terms with customers are mostly on credit. Customers are granted credit at the discretion of the Group in accordance with their respective business strength and credibility. Normal credit period is between 30 days to 180 days. Each customer has a credit limit. The Group seeks to maintain strict control over its outstanding receivables and its credit terms serve to minimise credit risk. Overdue balances are regularly reviewed by management.

An aging analysis of the trade receivables as at 30 September 2001 is as follows:

	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Current	253,985	256,479
1 – 90 days	45,372	36,545
91 – 180 days	23,061	26,012
Over 180 days	19,109	10,267
	341,527	329,303

10. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at 30 September 2001 is as follows:

	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Current	99,014	133,663
1 – 90 days	39,344	37,115
91 – 180 days	4,967	13,724
Over 180 days	4,530	1,019
	147,855	185,521

11. BANK LOANS

	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Unsecured bank loans	229,519	227,720
Repayable:		
Within one year	138,519	227,720
Two to five years, inclusive	91,000	–
	229,519	227,720
Less: Portions classified as current liabilities	(138,519)	(227,720)
Long term portion	91,000	–

As at 30 September 2001, the Group's bank loans were supported by corporate guarantees executed by the Company.

12. SHARE CAPITAL

	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid: 608,807,600 ordinary shares of HK\$0.10 each	60,881	60,881

Share options

During the period, options to subscribe for 300,000 shares of the Company at the subscription price of HK\$1.059 per share and 10,100,000 shares of the Company at the subscription price of HK\$1.05 per share were granted to eligible employees including a director of the Company. A nominal consideration of HK\$1.00 was paid by the employees for each lot of share options granted. No share options were exercisable nor lapsed during the period ended 30 September 2001.

At 30 September 2001, the Company had outstanding options granted to eligible employees to subscribe for shares of the Company as follows:

Date of grant	No. of shares over which options were granted	Subscription price per share HK\$	Exercisable Period	
			From	To
10 Jan 2001	2,800,000	1.008	10 Jul 2002	9 Jan 2006
10 Jan 2001	400,000	1.008	10 Jul 2003	9 Jan 2006
23 Apr 2001	300,000	1.059	23 Oct 2003	22 Apr 2006
31 Aug 2001	5,500,000	1.050	29 Feb 2004	31 Aug 2006
31 Aug 2001	4,600,000	1.050	31 Aug 2006	28 Feb 2009

13. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000	General reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001								
– As previously reported	476,755	295	36,245	1,544	2,351	(39,678)	674,101	1,151,613
– Effect of adopting SSAP 9 (Revised) (note 1)	–	–	–	–	–	–	36,529	36,529
– As restated	476,755	295	36,245	1,544	2,351	(39,678)	710,630	1,188,142
Exchange realignment	–	–	–	–	–	(5,163)	–	(5,163)
Profit for the period	–	–	–	–	–	–	50,168	50,168
Final dividend for the year ended 31 March 2001, paid	–	–	–	–	–	–	(36,529)	(36,529)
At 30 September 2001	476,755	295	36,245	1,544	2,351	(44,841)	724,269	1,196,618
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000	General reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2000								
– As previously reported	476,755	295	33,649	–	2,351	(29,191)	615,650	1,099,509
– Effect of adopting SSAP 9 (Revised) (note 1)	–	–	–	–	–	–	12,176	12,176
– As restated	476,755	295	33,649	–	2,351	(29,191)	627,826	1,111,685
Acquisition of a subsidiary	–	–	1,465	–	–	–	–	1,465
Acquisition of additional interest in an associate	–	–	781	–	–	–	–	781
Transfer from retained profits	–	–	350	1,544	–	–	(1,894)	–
Exchange realignment	–	–	–	–	–	(10,487)	–	(10,487)
Profit for the period	–	–	–	–	–	–	121,226	121,226
Interim dividend paid	–	–	–	–	–	–	(24,352)	(24,352)
Final dividend for the year ended 31 March 2000, paid	–	–	–	–	–	–	(12,176)	(12,176)
At 31 March 2001	476,755	295	36,245	1,544	2,351	(39,678)	710,630	1,188,142

14. CONTINGENT LIABILITIES

At 30 September 2001, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	At 30 September 2001 (Unaudited) HK\$'000	At 31 March 2001 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	389,438	375,370

As at 30 September 2001, the guarantees given by the Company to banks in connection with facilities granted to subsidiaries were utilised to the extent of approximately HK\$229,253,000 (31 March 2001: HK\$225,833,000).

15. COMMITMENTS

- (i) As at 30 September 2001, the Group had entered into agreements to invest up to approximately HK\$30,631,000 (31 March 2001: HK\$23,942,000) in associates and subsidiaries in the PRC. The Group had capital commitments, which were contracted but not provided for, in respect of the construction of industrial buildings in the PRC amounting to approximately HK\$318,000 (31 March 2001: HK\$2,239,000) related to these subsidiaries.
- (ii) As at 30 September 2001, the Group had an outstanding investment commitment of HK\$6,000,000 (31 March 2001: HK\$15,000,000) in a joint venture which is engaged in the development of a commercial property in the PRC.

16. RELATED PARTY TRANSACTIONS

During the period, the Group purchased raw materials amounting to HK\$15,786,000 (2000: HK\$31,882,000) during the period from an associate at prices and conditions similar to those offered by unrelated suppliers of the Group.

17. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of a change in accounting policy in respect of dividend recognition.

18. APPROVAL OF THE INTERIM FINANCIAL REPORT

The interim financial report was approved by the board of directors on 14 December 2001.