

## NOTES TO CONDENSED FINANCIAL STATEMENTS

30 September 2003

### 1. SIGNIFICANT ACCOUNTING POLICIES

The Group's unaudited condensed interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation used in the preparation of these financial statements are consistent with those set out in the Group's audited financial statements for the year ended 31 March 2003, except that the Group has adopted, for the first time for the current period's condensed consolidated financial statements, SSAP 12 (Revised) "Income Taxes".

SSAP 12 (Revised) prescribes the accounting treatment and disclosures for deferred tax. In prior years, deferred tax was provided, using the liability method, on all significant timing differences, in the recognition of revenue and expense for tax and financial reporting purposes, to the extent it was probable that the liability would crystallise in the foreseeable future. A deferred tax asset was not recognised until its realisation was assured beyond reasonable doubt. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. This new accounting policy has been applied retrospectively and certain comparative amounts have been restated accordingly. As a result, the opening retained earnings at 1 April 2002 and 2003 have been increased by HK\$12,660,000 and HK\$18,786,000 respectively, while the profit attributable to shareholders for the six months ended 30 September 2002 has been increased by HK\$1,646,000 (note 12).

## 2. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net invoiced value of goods sold during the period, after allowances for returns and trade discounts, excluding intra-group transactions.

An analysis of the Group's segment revenue and results by geographical location of customers is as follows:

	<i>Segment revenue</i>		<i>Segment results</i>	
	<i>Six months ended</i>		<i>Six months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
People's Republic of China ("PRC")	<b>493,819</b>	437,182	<b>111,006</b>	92,098
Hong Kong SAR	<b>101,371</b>	138,088	<b>21,305</b>	35,666
Taiwan	<b>100,751</b>	103,586	<b>16,973</b>	6,014
Other Asian countries	<b>44,056</b>	39,325	<b>8,319</b>	4,730
Others	<b>62,635</b>	40,222	<b>12,295</b>	6,195
	<b>802,632</b>	758,403	<b>169,898</b>	144,703
Unallocated revenue and gains			<b>2,890</b>	3,867
Corporate and unallocated expenses			<b>(17,462)</b>	(18,095)
Profit from operating activities			<b>155,326</b>	130,475

As over 90% of the Group's revenue is attributable to the manufacture and sale of plastic injection moulding machines and related products, the Group's segment information by principal activity is not presented.

### 3. PROFIT FROM OPERATING ACTIVITIES

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

	<i>Six months ended</i>	
	<i>30 September</i>	
	2003	2002
	HK\$'000	HK\$'000
Cost of inventories sold	<b>520,176</b>	479,730
Depreciation	<b>23,527</b>	22,990
Loss on disposal of fixed assets	<b>183</b>	158
Amortisation of goodwill	<b>45</b>	45
Negative goodwill recognised as income	<b>(229)</b>	(165)
Interest income	<b>(2,688)</b>	(3,867)
Gain on disposal of long term investment	<b>(202)</b>	–
Unrealised loss on unlisted short term investments	<b>250</b>	–

### 4. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: Nil) 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.

	<i>Six months ended</i>	
	<i>30 September</i>	
	2003	2002
	HK\$'000	HK\$'000
Current:		(Restated)
Hong Kong	<b>1,828</b>	–
Elsewhere	<b>17,469</b>	18,407
Deferred	<b>2,953</b>	(1,646)
	<b>22,250</b>	16,761
Share of tax attributable to an associate in the PRC	<b>181</b>	–
	<b>22,431</b>	16,761

**5. DIVIDENDS**

	<i>Six months ended</i>	
	<i>30 September</i>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$0.11 (2002: HK\$0.06) per ordinary share	<b>67,200</b>	36,529
Interim dividend declared after the interim period end of HK\$0.04 (2002: HK\$0.04) per ordinary share	<b>24,436</b>	24,352

**6. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the period of HK\$107,674,000 (2002: HK\$82,264,000 (as restated)) and on the number of ordinary shares in issue of 610,907,600 shares (2002: 608,807,600 shares) during the period.

The calculation of diluted earnings per share is based on the Group's profit attributable to shareholders for the period of HK\$107,674,000 (2002: HK\$82,264,000 (as restated)) and on the number of ordinary shares of 621,463,113 shares (2002: 611,463,006 shares), being the number of ordinary shares in issue of 610,907,600 shares (2002: 608,807,600 shares) during the period as used in the basic earnings per share calculation and the number of ordinary shares of 10,555,513 shares (2002: 2,655,406 shares) assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

**7. FIXED ASSETS**

The movements of fixed assets of the Group were as follows:

	HK\$'000
Net book value as at 1 April 2003	560,194
Additions	76,569
Disposals	(637)
Depreciation	(23,527)
Exchange realignment adjustment	2,400
Net book value as at 30 September 2003	614,999

**8. TRADE AND BILLS RECEIVABLES**

Trading terms with customers are either cash on delivery, bank bills or on credit. Customers are granted credit at the discretion of the Group, subject to their respective business strength and creditability. The average credit period is 90 days. The Group adopts strict control policies over credit terms and outstanding receivables that serve to minimise credit risk.

An ageing analysis of the trade and bills receivables as at the balance sheet date is as follows:

	<b>30 September 2003</b>	31 March 2003
	<b>HK\$'000</b>	HK\$'000
Current	<b>276,859</b>	232,763
1-90 days	<b>53,551</b>	35,916
91-180 days	<b>15,722</b>	17,620
Over 180 days	<b>2,152</b>	4,420
	<b>348,284</b>	290,719

**9. TRADE AND BILLS PAYABLES**

An ageing analysis of the trade and bills payables as at the balance sheet date is as follows:

	<b>30 September 2003</b>	31 March 2003
	<b>HK\$'000</b>	HK\$'000
Current	<b>149,340</b>	119,452
1-90 days	<b>51,261</b>	31,326
91-180 days	<b>3,885</b>	1,637
Over 180 days	<b>6,406</b>	3,534
	<b>210,892</b>	155,949

**10. SHARE CAPITAL**

	<b>30 September 2003</b>	31 March 2003
	<b>HK\$'000</b>	HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
610,907,600 (31 March 2003: 610,907,600) ordinary shares of HK\$0.10 each	<b>61,091</b>	61,091

**11. SHARE OPTIONS**

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 August 2002, the share option scheme adopted by the Company on 30 August 1996 (the "1996 Scheme") was terminated and a new share option scheme (the "2002 Scheme") was adopted. Upon termination of the 1996 Scheme, no further share options can be granted thereunder but in all other respects, the provisions of the 1996 Scheme remain in force and all share options granted prior to such termination continued to be valid and exercisable in accordance therewith. Share options under the 1996 Scheme and the 2002 Scheme do not confer rights on the holders to dividends or to vote at shareholders' meeting.

## 11. SHARE OPTIONS (continued)

The following share options were outstanding under the 2002 Scheme and the 1996 Scheme during the period:

Name or category of participants	Number of share options				At 30 September 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares***	
	At 1 April 2003	Granted during the period	Exercised during the period	Lapsed during the period					At date of grant of share options	At date of exercise of share options
<b>Director or substantial shareholder</b>								HK\$	HK\$	HK\$
Chen CHIANG	1,000,000	-	-	-	<b>1,000,000</b>	11/3/2003	11/3/2004 - 10/3/2013	1.988	1.910	-
	1,000,000	-	-	-	<b>1,000,000</b>	11/3/2003	11/3/2006 - 10/3/2013	1.988	1.910	-
	1,000,000	-	-	-	<b>1,000,000</b>	11/3/2003	11/3/2008 - 10/3/2013	1.988	1.910	-
	<b>3,000,000</b>	-	-	-	<b>3,000,000</b>					
Lai Yuen CHIANG	2,000,000	-	-	-	<b>2,000,000</b>	31/8/2001	31/8/2006 - 28/2/2009	1.050	1.300	-
	666,000	-	-	-	<b>666,000</b>	11/3/2003	11/3/2004 - 10/3/2013	1.988	1.910	-
	666,000	-	-	-	<b>666,000</b>	11/3/2003	11/3/2006 - 10/3/2013	1.988	1.910	-
	668,000	-	-	-	<b>668,000</b>	11/3/2003	11/3/2008 - 10/3/2013	1.988	1.910	-
<b>4,000,000</b>	-	-	-	<b>4,000,000</b>						
Chi Kin CHIANG	400,000	-	-	-	<b>400,000</b>	31/8/2001	31/8/2006 - 28/2/2009	1.050	1.300	-
	332,000	-	-	-	<b>332,000</b>	11/3/2003	11/3/2004 - 10/3/2013	1.988	1.910	-
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2006 - 10/3/2013	1.988	1.910	-
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2008 - 10/3/2013	1.988	1.910	-
<b>1,400,000</b>	-	-	-	<b>1,400,000</b>						
Stephen Hau Leung CHUNG	300,000	-	-	-	<b>300,000</b>	23/4/2001	23/10/2003 - 22/4/2006	1.059	1.340	-
	400,000	-	-	-	<b>400,000</b>	31/8/2001	31/8/2006 - 28/2/2009	1.050	1.300	-
	332,000	-	-	-	<b>332,000</b>	11/3/2003	11/3/2004 - 10/3/2013	1.988	1.910	-
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2006 - 10/3/2013	1.988	1.910	-
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2008 - 10/3/2013	1.988	1.910	-
<b>1,700,000</b>	-	-	-	<b>1,700,000</b>						

## 11. SHARE OPTIONS (continued)

Name or category of participants	Number of share options					Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares***		
	At 1 April 2003	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2003	(D/M/Y)	(D/M/Y)	HK\$	HK\$	HK\$	
								At date of grant of share options	At date of exercise of share options		
<b>Director or substantial shareholder</b>											
Sam Hon Wah NG	332,000	-	-	-	<b>332,000</b>	11/3/2003	11/3/2005 - 10/3/2013	1.988	1.910	-	
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2007 - 10/3/2013	1.988	1.910	-	
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2009 - 10/3/2013	1.988	1.910	-	
	<b>1,000,000</b>	-	-	-	<b>1,000,000</b>						
Chen Hsong Investments Limited	600,000	-	-	-	<b>600,000</b>	11/3/2003	11/3/2004 - 10/3/2013	1.988	1.910	-	
	600,000	-	-	-	<b>600,000</b>	11/3/2003	11/3/2006 - 10/3/2013	1.988	1.910	-	
	600,000	-	-	-	<b>600,000</b>	11/3/2003	11/3/2008 - 10/3/2013	1.988	1.910	-	
	<b>1,800,000</b>	-	-	-	<b>1,800,000</b>						
Subtotal	<b>12,900,000</b>	-	-	-	<b>12,900,000</b>						
<b>Other employees</b>											
In aggregate	3,300,000	-	-	(280,000)	<b>3,020,000</b>	31/8/2001	29/2/2004 - 31/8/2006	1.050	1.300	-	
	1,100,000	-	-	-	<b>1,100,000</b>	31/8/2001	31/8/2006 - 28/2/2009	1.050	1.300	-	
	1,224,000	-	-	-	<b>1,224,000</b>	11/3/2003	11/3/2004 - 10/3/2013	1.988	1.910	-	
	478,000	-	-	-	<b>478,000</b>	11/3/2003	11/3/2005 - 10/3/2013	1.988	1.910	-	
	1,244,000	-	-	-	<b>1,244,000</b>	11/3/2003	11/3/2006 - 10/3/2013	1.988	1.910	-	
	480,000	-	-	-	<b>480,000</b>	11/3/2003	11/3/2007 - 10/3/2013	1.988	1.910	-	
	1,252,000	-	-	-	<b>1,252,000</b>	11/3/2003	11/3/2008 - 10/3/2013	1.988	1.910	-	
	482,000	-	-	-	<b>482,000</b>	11/3/2003	11/3/2009 - 10/3/2013	1.988	1.910	-	
Subtotal	<b>9,560,000</b>	-	-	(280,000)	<b>9,280,000</b>						
Total	<b>22,460,000</b>	-	-	(280,000)	<b>22,180,000</b>						

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

\*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the closing price quoted on The Stock Exchange of Hong Kong Limited on the trading day immediately prior to the date of grant of the share options.



**11. SHARE OPTIONS** (continued)

The consideration for the share options granted under both of the 1996 Scheme and the 2002 Scheme is HK\$1.00 per each grant.

At 30 September 2003, the Company had 7,220,000 share options and 14,960,000 share options outstanding under the 1996 Scheme and the 2002 Scheme respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 22,180,000 additional ordinary shares of HK\$0.10 each of the Company and additional share capital of HK\$2,218,000 and share premium of HK\$35,106,000 before any related share issue expenses.

**12. RESERVES**

	Share premium account	Capital redemption reserve	Capital reserve	Statutory reserve	General reserve	Exchange fluctuation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003								
- As previously reported	478,662	295	47,410	2,116	2,351	(47,541)	796,449	1,279,742
- Effect of adopting SSAP 12 (Revised)	-	-	-	-	-	-	18,786	18,786
- As restated	478,662	295	47,410	2,116	2,351	(47,541)	815,235	1,298,528
Exchange realignment adjustment	-	-	-	-	-	4,317	-	4,317
Net profit for the period	-	-	-	-	-	-	107,674	107,674
Final dividend for the year ended 31 March 2003	-	-	-	-	-	-	(67,200)	(67,200)
At 30 September 2003	478,662	295	47,410	2,116	2,351	(43,224)	855,709	1,343,319
At 1 April 2002								
- As previously reported	476,755	295	46,823	2,116	2,351	(48,501)	712,474	1,192,313
- Effect of adopting SSAP 12 (Revised)	-	-	-	-	-	-	12,660	12,660
- As restated	476,755	295	46,823	2,116	2,351	(48,501)	725,134	1,204,973
Exchange realignment adjustment	-	-	-	-	-	747	-	747
Net profit for the period								
- As previously reported	-	-	-	-	-	-	80,618	80,618
- Effect of adopting SSAP 12 (Revised)	-	-	-	-	-	-	1,646	1,646
- As restated	-	-	-	-	-	-	82,264	82,264
Final dividend for the year ended 31 March 2002	-	-	-	-	-	-	(36,529)	(36,529)
At 30 September 2002	476,755	295	46,823	2,116	2,351	(47,754)	770,869	1,251,455

**13. CONTINGENT LIABILITIES**

As at the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	<b>30 September 2003</b>	31 March 2003
	<b>HK\$'000</b>	HK\$'000
Guarantees given to banks in connection with facilities granted to customers, at maximum	<b>34,995</b>	13,585

**14. COMMITMENTS**

- (i) As at 30 September 2003, the Group had contracted commitments in respect of capital investments in certain subsidiaries in the PRC amounting to approximately HK\$128,674,000 (31 March 2003: HK\$189,150,000). The Group had capital commitments, which were contracted but not provided for, in respect of the construction of industrial buildings and the purchase of fixed assets amounting to approximately HK\$49,814,000 (31 March 2003: HK\$32,296,000) and HK\$18,548,000 (31 March 2003: HK\$10,535,000), respectively.
- (ii) As at 30 September 2003, the Group had commitments under forward foreign exchange contracts of approximately HK\$196,429,000 (31 March 2003: HK\$26,456,000).
- (iii) As at 30 September 2003, the Group had commitments under three sale and purchase agreements to acquire the equity interests in its three non-wholly owned subsidiaries amounting to RMB210,000,000 (equivalent to HK\$198,114,000) (note 16).

**15. RELATED PARTY TRANSACTIONS**

During the period, the Group purchased raw materials amounting to HK\$18,680,000 (2002: HK\$23,620,000) from an associate at prices and terms similar to those offered by unrelated suppliers of the Group.

## 16. POST BALANCE SHEET EVENT

On 29 September 2003, the Group entered into three sale and purchase agreements (the "Agreements") with Guangdong Macro Company Limited ("Macro"), a company established in the PRC with limited liability and the shares of which are currently listed on the Shenzhen Stock Exchange, to acquire 49% equity interests in the respective share capital of each of Shunde Chen De Plastics Machinery Company Limited, Shunde Chen De No. 2 Plastics Machinery Company, Limited and Shunde Chen De No. 3 Plastics Machinery Company, Limited (the "Chen De Companies"), at a consideration of RMB210,000,000 (the "Consideration"). RMB110,000,000, representing approximately 51% of the Consideration, was deposited into the suspense accounts on 13 October 2003 as security money to Macro.

The Chen De Companies were non-wholly owned subsidiaries of the Company and whose equity interests are indirectly owned as to 51% by the Company and the remaining 49% by Macro.

The Consideration was determined after arm's length negotiation between the parties by reference to the net asset value of the Chen De Companies as reflected in the respective audited accounts of each of the Chen De Companies as at 31 July 2003.

As at the date of the Agreements, the Chen De Companies were 51% owned subsidiaries of the Group and Macro held 49% equity interests in each of the Chen De Companies. Accordingly, Macro was a connected party of the Company and the Agreements constituted connected transactions of the Company under the Listing Rules.

Further details of the Agreements were set out in the announcement dated 29 September 2003 and the circular dated 20 October 2003 of the Company.

## 17. COMPARATIVE FIGURES

As further explained in note 1 to these financial statements, due to the adoption of a revised SSAP during the period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current period's presentation.