

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2004

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 and with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated 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 December, 2003.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into two operating divisions — mould base and metal & parts. These divisions are the basis on which the Group reports its primary segment information.

Six months ended 30th June, 2004

	Mould base HK\$'000	Metal & parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER				
External sales	688,341	82,739	—	771,080
Inter-segment sales	—	76,552	(76,552)	—
	688,341	159,291	(76,552)	771,080
Inter-segment sales are charged at prevailing market rates.				
RESULTS				
Segment results	121,641	14,604	—	136,245
Unallocated corporate income				6,486
Profit from operations				142,731

Six months ended 30th June, 2003

	Mould base HK\$'000	Metal & parts HK\$'000	Elimination HK\$'000	Total HK\$'000
TURNOVER				
External sales	489,851	70,820	—	560,671
Inter-segment sales	—	127,920	(127,920)	—
	<u>489,851</u>	<u>198,740</u>	<u>(127,920)</u>	<u>560,671</u>

Inter-segment sales are charged at prevailing market rates.

RESULTS

Segment results	<u>85,260</u>	<u>13,362</u>	—	98,622
Unallocated corporate income				<u>7,141</u>
Profit from operations				<u>105,763</u>

4. PROFIT FROM OPERATIONS

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

	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment	528	412
Interest income	(3,986)	(7,141)
Exchange gain	<u>(1,086)</u>	<u>(1,242)</u>

5. TAXATION

	Six months ended 30th June,	
	2004	2003
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Hong Kong Profits tax, current period	127	163
Taxation in jurisdictions outside Hong Kong		
— current period	22,999	14,828
— overprovision in prior year	(798)	—
	22,201	14,828
Deferred taxation	—	(571)
	22,328	14,420

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profit for the period.

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 Company'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 enjoyed a 50% reduction on PRC income tax.

6. DIVIDENDS

On 13th May, 2004, a dividend of HK8 cents per share after adjusting for bonus share issue was paid to shareholders as final dividend for the year ended 31st December, 2003 (final dividend for the period of nine months from 1st April, 2002 to 31st December, 2002: HK4 cents per share after adjusting for bonus share issue).

The Directors have determined that an interim dividend of HK8 cents per share (2003: HK5.6 cents per share after adjusting for bonus share issue) should be paid to the shareholders of the Company whose names appear in the Register of Members on 17th September, 2004.

7. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2004 HK\$'000	2003 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	109,167	75,300
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	614,123,303	608,644,954
Effect of dilutive potential ordinary shares on exercise of options of the Company	52,058	2,415,576
Weighted average number of ordinary shares for the purposes of diluted earnings per share	614,175,361	611,060,530

The adjustment to comparative basic and diluted earnings per share, arising from bonus share issue, is as follows:

	Basic HK cents	Diluted HK cents
Reported figure before adjustment	15.46	15.40
Adjustment arising from bonus share issue	(3.09)	(3.08)
Restated	12.37	12.32

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

In the opinion of the Directors, there was no material difference between the carrying amount and the market value of the investment properties as at 30th June, 2004.

During the period, the Group incurred expenditure of approximately HK\$34,356,000 on the properties under construction in the PRC.

In addition, the Group spent approximately HK\$21,873,000, HK\$6,653,000 and HK\$4,048,000 on acquisition of plant and machinery, furniture and equipment and other assets respectively, for the purpose of expanding the Group's business.

9. 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 approximately HK\$438,432,000 (31st December, 2003: HK\$383,074,000) and an aged analysis of which is as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
0 to 60 days	256,473	236,843
61 to 90 days	98,838	79,541
Over 90 days	83,121	66,690
	438,432	383,074

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$73,744,000 (31st December, 2003: HK\$113,624,000) and an aged analysis of which is as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
0 to 60 days	56,243	86,752
61 to 90 days	2,878	9,148
Over 90 days	14,623	17,724
	73,744	113,624

11. UNSECURED BANK BORROWINGS

During the period, the Group raised new bank loans in the amount of approximately HK\$134,126,000 (2003: HK\$49,941,000), which were used for general working capital. The loans bear interest at market rates and are repayable within one year.

In addition, the Group repaid bank loans amounting to approximately HK\$103,010,000 (2003: HK\$11,927,000) during the period.

12. FLOATING RATE NOTES

The floating rate notes are due in 2006. They carry interest at Hong Kong Inter-bank Borrowing Rate plus 1% and are guaranteed by the Company.

13. SHARE CAPITAL

	Authorised at		Issued and fully paid at	
	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Ordinary shares of HK\$0.1 each				
At beginning of the period/year	60,000	60,000	49,130	48,684
Increase during the period	40,000	—	—	—
Shares issued on exercise of share options	—	—	—	446
Bonus shares issued (<i>Note</i>)	—	—	12,282	—
At end of the period/year	100,000	60,000	61,412	49,130

Note:

Pursuant to the annual general meeting held on 3rd May, 2004, a bonus issue of shares on the basis of one share for every four shares held was approved. 122,824,660 bonus shares were issued under the bonus issue and the amount HK\$12,282,466 was capitalised from the Company's share premium account.

The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

14. CAPITAL COMMITMENTS

As at 30th June, 2004, the Group had capital expenditure amounting to approximately HK\$86,488,000 (31st December, 2003: HK\$29,103,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.