

NOTES TO CONDENSED FINANCIAL STATEMENTS

30 September 2004

1. SIGNIFICANT ACCOUNTING POLICIES

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

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 2004.

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:

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
People's Republic of China ("PRC")	611,162	493,819	127,491	111,006
Hong Kong SAR	103,941	101,371	22,022	21,305
Taiwan	120,285	100,751	18,045	16,973
Other Asian countries	70,629	44,056	11,530	8,319
Others	98,225	62,635	17,550	12,295
	1,004,242	802,632	196,638	169,898
Unallocated revenue and gains			895	2,890
Corporate and unallocated expenses			(18,831)	(17,462)
Profit from operating activities			178,702	155,326

Over 90% of the Group's revenue is attributable to the manufacture and sale of plastic injection moulding machines and related products. Therefore, no analysis by business segment is presented.

3. PROFIT FROM OPERATING ACTIVITIES

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

	Six months ended 30 September	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Cost of inventories sold	667,302	520,176
Depreciation	24,688	23,527
Loss/(gain) on disposal of fixed assets	(127)	183
Amortisation of goodwill	5,521	45
Negative goodwill recognised as income	(193)	(229)
Interest income	(895)	(2,688)
Gain on disposal of long term investment	-	(202)

4. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the period, while Hong Kong profits tax was provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 September 2003. 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.

	Six months ended 30 September	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
Current:		
Hong Kong	-	1,828
Elsewhere	17,759	17,469
Deferred	(1,693)	2,953
	16,066	22,250
Share of tax attributable to an associate in the PRC	84	181
Tax charge for the period	16,150	22,431

5. **DIVIDENDS**

	Six months ended	
	30 September	
	2004	2003
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$0.12 (2003: HK\$0.11) per ordinary share	74,097	67,200
Interim dividend declared after the interim period end of HK\$0.05 (2003: HK\$0.04) per ordinary share	30,876	24,436

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\$159,575,000 (2003: HK\$107,674,000) and on the weighted average number of 617,179,064 ordinary shares in issue (2003: on the number of ordinary shares in issue of 610,907,600 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\$159,575,000 (2003: HK\$107,674,000) and on the weighted average number of 626,586,287 ordinary shares (2003: on the number of ordinary shares of 621,463,113 shares), being the weighted average number of 617,179,064 ordinary shares in issue (2003: the number of ordinary shares in issue of 610,907,600 shares) during the period as used in the basic earnings per share calculation and the weighted average number of 9,407,223 ordinary shares (2003: the number of ordinary shares of 10,555,513 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:

	<i>HK\$'000</i>
Net book value at 1 April 2004	662,101
Additions	56,657
Disposals	(287)
Write-offs	(17)
Depreciation	(24,688)
Exchange realignment	1,274
Net book value at 30 September 2004	695,040

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:

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	317,138	284,584
1-90 days	54,041	59,921
91-180 days	26,906	16,508
Over 180 days	5,556	4,992
	403,641	366,005

9. TRADE AND BILLS PAYABLES

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

	30 September 2004	31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	306,274	253,707
1-90 days	43,346	24,257
91-180 days	2,122	1,016
Over 180 days	10,887	6,159
	362,629	285,139

10. SHARE CAPITAL

	30 September 2004	31 March 2004
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
617,517,600 (31 March 2004: 616,457,600) ordinary shares of HK\$0.10 each	61,752	61,646

During the period, the subscription rights attaching to 540,000 and 520,000 share options were exercised at the exercise prices of HK\$1.05 and HK\$1.988 per ordinary share respectively (Note 11), resulting in the issue of 1,060,000 ordinary shares of HK\$0.10 each for a total cash consideration, before issue expenses, of approximately HK\$1,601,000, in aggregate.

Details of the movements in the Company's issued ordinary share capital are as follows:

	Number of ordinary shares in issue	Issued share capital	Share premium account	Total
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2004	616,457,600	61,646	486,926	548,572
Share options exercised	1,060,000	106	1,495	1,601
At 30 September 2004	617,517,600	61,752	488,421	550,173

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 remained 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.

Following is the summary of the movements of the outstanding share options under the 1996 Scheme and the 2002 Scheme during the period:

Name or category of participants	Number of share options				At 30 September 2004	Date of grant *	Exercise period	Exercise price per share **
	At 1 April 2004	Granted during the period	Exercised during the period	Lapsed during the period				
					(D/M/Y)	(D/M/Y)	HK\$	
Director or substantial shareholder								
Chen CHIANG	1,000,000	-	-	-	1,000,000	11/3/2003	11/3/2006 – 10/3/2013	1.988
	1,000,000	-	-	-	1,000,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
	2,000,000	-	-	-	2,000,000			
Lai Yuen CHIANG	2,000,000	-	-	-	2,000,000	31/8/2001	31/8/2006 – 28/2/2009	1.050
	666,000	-	-	-	666,000	11/3/2003	11/3/2006 – 10/3/2013	1.988
	668,000	-	-	-	668,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
	3,334,000	-	-	-	3,334,000			
Chi Kin CHIANG	400,000	-	-	-	400,000	31/8/2001	31/8/2006 – 28/2/2009	1.050
	334,000	-	-	-	334,000	11/3/2003	11/3/2006 – 10/3/2013	1.988
	334,000	-	-	-	334,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
	1,068,000	-	-	-	1,068,000			
Stephen Hau Leung CHUNG	300,000	-	-	-	300,000	23/4/2001	23/10/2003 – 22/4/2006	1.059
	400,000	-	-	-	400,000	31/8/2001	31/8/2006 – 28/2/2009	1.050
	332,000	-	-	-	332,000	11/3/2003	11/3/2004 – 10/3/2013	1.988
	334,000	-	-	-	334,000	11/3/2003	11/3/2006 – 10/3/2013	1.988
	334,000	-	-	-	334,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
	1,700,000	-	-	-	1,700,000			

11. SHARE OPTIONS (Continued)

Name or category of participants	Number of share options				At 30 September 2004	Date of grant *	Exercise period	Exercise price per share **
	At 1 April 2004	Granted during the period	Exercised during the period	Lapsed during the period				
Director or substantial shareholder						(D/M/Y)	(D/M/Y)	HK\$
Sam Hon Wah NG	332,000	-	-	-	332,000	11/3/2003	11/3/2005 - 10/3/2013	1.988
	334,000	-	-	-	334,000	11/3/2003	11/3/2007 - 10/3/2013	1.988
	334,000	-	-	-	334,000	11/3/2003	11/3/2009 - 10/3/2013	1.988
	1,000,000	-	-	-	1,000,000			
Chen Hsong Investments Limited	600,000	-	-	-	600,000	11/3/2003	11/3/2006 - 10/3/2013	1.988
	600,000	-	-	-	600,000	11/3/2003	11/3/2008 - 10/3/2013	1.988
	1,200,000	-	-	-	1,200,000			
Sub-total	10,302,000	-	-	-	10,302,000			
Employees (other than directors)								
In aggregate	580,000	-	(540,000)	-	40,000	31/8/2001	29/2/2004 - 31/8/2006	1.050
	900,000	-	-	(400,000)	500,000	31/8/2001	31/8/2006 - 28/2/2009	1.050
	632,000	-	(520,000)	-	112,000	11/3/2003	11/3/2004 - 10/3/2013	1.988
	412,000	-	-	(42,000)	370,000	11/3/2003	11/3/2005 - 10/3/2013	1.988
	1,244,000	-	-	(30,000)	1,214,000	11/3/2003	11/3/2006 - 10/3/2013	1.988
	414,000	-	-	(44,000)	370,000	11/3/2003	11/3/2007 - 10/3/2013	1.988
	1,252,000	-	-	(30,000)	1,222,000	11/3/2003	11/3/2008 - 10/3/2013	1.988
	414,000	-	-	(44,000)	370,000	11/3/2003	11/3/2009 - 10/3/2013	1.988
Sub-total	5,848,000	-	(1,060,000)	(590,000)	4,198,000			
Total	16,150,000	-	(1,060,000)	(590,000)	14,500,000			

* 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.

Notes:

- The weighted average closing price of the share immediately before the dates on which the options were exercised by "Employees (other than directors)" is HK\$4.638.
- The share options granted under the 2002 Scheme are for a consideration of HK\$1.00 per grant.
- The 1,060,000 share options exercised during the period resulting in the issue of 1,060,000 ordinary shares of HK\$0.10 each of the Company with the new share capital of HK\$106,000 and share premium of HK\$1,495,000 (before issue expenses) are detailed in Note 10 to the financial statements.
- At 30 September 2004, the Company had 3,640,000 and 10,860,000 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 14,500,000 additional ordinary shares of HK\$0.10 each of the Company with the additional share capital of HK\$1,450,000 and share premium of approximately HK\$23,964,000 (before 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 2004	486,926	295	47,778	14,455	2,351	(45,791)	924,468	1,430,482
Issue of new shares	1,495	-	-	-	-	-	-	1,495
Transfer from retained profit	-	-	694	4,105	-	-	(4,799)	-
Exchange realignment	-	-	-	-	-	2,371	-	2,371
Net profit for the period	-	-	-	-	-	-	159,575	159,575
Final dividend for the year ended 31 March 2004	-	-	-	-	-	-	(74,097)	(74,097)
At 30 September 2004	488,421	295	48,472	18,560	2,351	(43,420)	1,005,147	1,519,826
At 1 April 2003	478,662	295	47,410	2,116	2,351	(47,541)	815,235	1,298,528
Exchange realignment	-	-	-	-	-	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

13. CONTINGENT LIABILITIES

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

	30 September 2004	31 March 2004
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to customers, at the maximum	84,595	69,436

14. COMMITMENTS

- (i) At 30 September 2004, the Group had capital commitments, which were contracted but not provided for, in respect of the construction of industrial buildings in the PRC relating to certain subsidiaries amounting to approximately HK\$9,268,000 (31 March 2004: HK\$24,580,000) and in respect of the purchase of fixed assets amounting to approximately HK\$271,000 (31 March 2004: HK\$838,000).
- (ii) At 30 September 2004, the Group had commitments under forward foreign exchange contracts of approximately HK\$26,311,000 (31 March 2004: HK\$195,803,000).
- (iii) At 30 September 2004, the Group had a contracted commitment to make an investment of approximately HK\$4,095,000 to set up a joint venture in the PRC.

15. RELATED PARTY TRANSACTIONS

During the period, the Group purchased raw materials amounting to HK\$19,290,000 (2003: HK\$18,680,000) from an associate at prices and on terms similar to those offered by unrelated suppliers of the Group.