

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. The Company acts as an investment holding company. Its subsidiaries are principally engaged in the manufacture and sale of dyeing and finishing machines, trading of stainless steel supplies, manufacture and sale of stainless steel casting products and property holding. There was no change in the principal activities of the Group during the period.

2. **Accounting policies**

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The condensed financial statements have been prepared in consistent with those followed in the Annual Report 2004 except the adoption of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods commencing on or after January 1, 2005. The adoption of the new HKFRSs has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required. The adoption of the new HKFRSs has resulted in certain changes in the presentation of the condensed financial statements as set out below. Certain comparative figures have been reclassified to conform with the current period's presentation.

- (i) HKAS 1 "Presentation of Financial Statements" has affected the presentation of minority interest, share of net after-tax results of associated companies and a jointly controlled entity and other disclosures.

2. Accounting policies (Continued)

- (ii) HKAS 17 "Leases" has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. Under HKAS 17, the land and buildings elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interest in land are reclassified as leasehold land and land use rights, which are carried at cost and amortised over the lease term on straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. In previous periods, the leasehold land and buildings were included in property, plant and equipment and were accounted for at cost less accumulated depreciation and accumulated impairment.
- (iii) HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in the change in accounting policy for recognition, measurement and derecognition of financial instruments. The Group's discounted bills with recourse, which were previously treated as contingent liabilities have not been derecognised. Instead, the related borrowings have been recognised prospectively on or after January 1, 2005.

3. Business and geographical segments

The analysis of the business segments (the primary reporting format) and geographical segments of the operations of the Group during the period are as follows:

Business segments

	Manufacture and sale of dyeing and finishing machines HK\$'000	Trading of stainless steel supplies HK\$'000	Manufacture and sale of stainless steel casting products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
	Six months ended June 30, 2005 (unaudited)				
Revenue					
External sales	635,420	354,852	87,967	-	1,078,239
Inter-segment sales	19,891	171,671	11,938	(203,500)	-
Total revenue	<u>655,311</u>	<u>526,523</u>	<u>99,905</u>	<u>(203,500)</u>	<u>1,078,239</u>
Inter-segment sales are charged at terms agreed between relevant parties					
Results					
Segment results	<u>101,920</u>	<u>39,286</u>	<u>12,628</u>		153,834
Finance costs					(8,799)
Interest income					604
Share of results of associates					659
Share of result of a jointly controlled entity	15,629				<u>15,629</u>
Profit before tax					161,927
Income tax expense					<u>(20,968)</u>
Net profit for the period					<u>140,959</u>
Other information					
Depreciation and amortisation	<u>13,164</u>	<u>494</u>	<u>1,904</u>		<u>15,562</u>

3. Business and geographical segments (Continued)

Business segments (Continued)

	Manufacture and sale of dyeing and finishing machines HK\$'000	Trading of stainless steel supplies HK\$'000	Manufacture and sale of stainless steel casting products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Six months ended June 30, 2004 (unaudited and restated)					
Revenue					
External sales	396,446	316,273	51,017	-	763,736
Inter-segment sales	6,945	107,951	7,525	(122,421)	-
Total revenue	<u>403,391</u>	<u>424,224</u>	<u>58,542</u>	<u>(122,421)</u>	<u>763,736</u>

Inter-segment sales are charged at terms agreed between relevant parties

Results

Segment results	<u>80,388</u>	<u>42,855</u>	<u>6,306</u>		129,549
Finance costs					(4,334)
Interest income					646
Share of results of associates					499
Share of result of a jointly controlled entity	11,478				<u>11,478</u>
Profit before tax					137,838
Income tax expense					<u>(19,102)</u>
Net profit for the period					<u>118,736</u>

Other information

Depreciation and amortisation	<u>12,263</u>	<u>413</u>	<u>2,078</u>		<u>14,754</u>
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3. Business and geographical segments (Continued)

Geographical segments

	Revenue by geographical market for the six months ended June 30,	
	2005 unaudited HK\$'000	2004 unaudited HK\$'000
Hong Kong	325,088	292,550
The People's Republic of China ("China")	454,352	254,140
Asia Pacific (other than Hong Kong and China)	115,023	130,658
Europe	89,911	54,210
South & North America	85,157	25,329
Other	8,708	6,849
	<u>1,078,239</u>	<u>763,736</u>

4. Depreciation and amortisation

During the period, depreciation of approximately HK\$14,356,000 (2004: HK\$13,267,000) was charged in respect of the Group's property, plant and equipment and amortisation of approximately HK\$1,206,000 (2004: nil) and nil (2004: HK\$1,487,000) were charged in respect of the Group's intellectual property rights and goodwill respectively.

5. Finance costs

	For the six months ended June 30,	
	2005	2004
	unaudited	unaudited
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	6,039	2,003
Obligations under finance leases	23	63
Bank charges	2,186	2,083
Factoring charges	551	185
	<u>8,799</u>	<u>4,334</u>

6. Income tax expense

	For the six months ended June 30,	
	2005	2004
	unaudited	unaudited
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current period	12,146	16,793
Overseas Taxation		
Current period	9,926	2,908
Overprovision in prior years	(47)	(8)
Deferred tax credit	<u>(1,057)</u>	<u>(591)</u>
	<u>20,968</u>	<u>19,102</u>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

7. Earnings per share

The calculation of basic earnings per share is based on the profit for the period of approximately HK\$141,303,000 (2004: HK\$118,588,000) and the following data:

	For the six months ended June 30,	
	2005	2004
	unaudited	unaudited
	Number of Shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>560,378,285</u>	<u>562,086,384</u>

No diluted earnings per share has been presented as there were no potential ordinary shares in issue in either period.

8. Dividends

	For the six months ended June 30,	
	2005	2004
	unaudited	unaudited
	HK\$'000	HK\$'000
Interim dividend of 8 cents (2004: 7 cents) per share	<u>44,830</u>	<u>39,227</u>
Interim special dividend of 3 cents (2004: 3 cents) per share	<u>16,811</u>	<u>16,811</u>

9. Additions to property, plant and equipment

During the period, the total cost of additions to property, plant and equipment of the Group was approximately HK\$12,262,000 (2004: HK\$15,299,000).

10. Interest in a jointly controlled entity

	As at June 30, 2005 unaudited HK\$'000	As at December 31, 2004 audited HK\$'000
Share of net assets	58,115	57,486

11. Trade and other receivables

The Group allows an average credit period of 60 days to its trade customers.

	As at June 30, 2005 unaudited HK\$'000	As at December 31, 2004 audited HK\$'000
Aged analysis of trade receivables:		
0-30 days	143,807	108,620
31-60 days	4,067	16,653
over 60 days	7,516	7,601
	155,390	132,874
Bills receivables	105,055	51,539
Discounted bills	(56,246)	(24,707)
Other receivables	61,916	33,450
	266,115	193,156

12. Trade and other payables

The following is an aged analysis of trade payables:

	As at June 30, 2005 unaudited HK\$'000	As at December 31, 2004 audited HK\$'000
0-30 days	64,905	70,179
31-60 days	7,026	9,053
over 60 days	1,677	3,891
	<u>73,608</u>	<u>83,123</u>

13. Share Capital

	As at June 30, 2005 unaudited HK\$'000	As at December 31, 2004 audited HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
At beginning of the year, 560,378,285 (2004:562,996,285) ordinary shares of HK\$0.10 each	56,038	56,300
Repurchase of shares	<u>-</u>	<u>(262)</u>
At end of the period/year, 560,378,285 (2004: 560,378,285) ordinary shares of HK\$0.10 each	<u>56,038</u>	<u>56,038</u>

14. Movement of reserve The Group

	Capital						Total
	Share Premium	Dividend reserve	Capital redemption reserve	Translation reserve	Retained Profits	Contributed Surplus	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2005	198,725	78,452	1,477	(11,744)	442,368	25,582	734,860
- Exchange difference arising on translation of overseas subsidiaries and associates	-	-	-	(910)	-	-	(910)
- Net profit for the period	-	-	-	-	141,303	-	141,303
- Final dividend paid	-	(39,226)	-	-	-	-	(39,226)
- Final special dividend paid	-	(39,226)	-	-	-	-	(39,226)
- Interim dividend	-	44,830	-	-	(44,830)	-	-
- Interim special dividend	-	16,811	-	-	(16,811)	-	-
At June 30, 2005	198,725	61,641	1,477	(12,654)	522,030	25,582	796,801

15. Capital commitments

	As at June 30, 2005 unaudited HK\$'000	As at December 31, 2004 audited HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	957	1,773

16. Related party transactions

	For the six months ended June 30,	
	2005	2004
	unaudited	unaudited
	HK\$'000	HK\$'000
Transactions with the related companies in which Messrs. Fong Kwok Leung, Kevin and Fong Kwok Chung, Bill have beneficial interests		
Management fee received	<u>153</u>	<u>160</u>
Rental paid	<u>2,964</u>	<u>2,762</u>
Transactions with a related company in which Mr. Peter Rainer Philipp has beneficial interests		
Sales of goods	<u>96</u>	<u>-</u>
Retainer fee paid	<u>811</u>	<u>-</u>
Agency commission paid	<u>1,683</u>	<u>-</u>
Other disbursement paid	<u>49</u>	<u>-</u>
Transactions with the jointly controlled entity		
Sales of goods	<u>3,348</u>	<u>704</u>
Commission and management fee received	<u>11,376</u>	<u>8,102</u>
Purchase of materials	<u>10,465</u>	<u>3,540</u>

The above transactions were carried out at market price or where no market price was available, at cost.