NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2005

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 Hong Kong Accounting Standard No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests have been changed. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas:

(1) Share-based Payments

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In accordance with the relevant transitional provision, the Group has not applied HKFRS 2 to those share options granted on or before 7th November, 2002 and those share options that were granted after 7th November, 2002 but were vested before 1st January, 2005. Because there were no unvested share options at 1st January, 2005, comparative figures for 2004 need not be restated.

(2) Business Combinations

HKFRS 3 "Business Combination", is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In accordance with HKFRS 3, goodwill is measured at cost less accumulated impairment losses after initial recognition. In previous periods, goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of approximately HK$3,636,000 has been transferred to the Group's accumulated profits on 1st January, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to 1st April, 2001 was held in reserves, and negative goodwill arising on acquisitions after 1st April, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill of approximately HK$11,966,000 previously recorded as capital reserves, with a corresponding increase in accumulated profits at 1st January, 2005.

Contingent liabilities of acquirees

In accordance with HKFRS 3, contingent liabilities of an acquiree are recognised at the date of the acquisition if the fair value of the contingent liabilities can be measured reliably. Previously, contingent liabilities of acquirees were not recognised separately from goodwill. Because the revised accounting policy has been applied prospectively to acquisitions for which the agreement date is on or after 1st January, 2005, comparative figures for 2004 have not been restated.

(3) Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes 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 interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact).

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. This change in accounting policy has been applied retrospectively and the financial impact on the Group is set out in note 3.

(4) Investment Properties

In previous periods, the Group's investment properties were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. The Group has also applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. Because the Group did not have any investment property revaluation reserve at 1st January, 2005, the adoption of HKAS 40 did not result in any transfer between the reserve accounts.

(5) Financial Instruments

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement", which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects on the Group as a results of implementation of HKAS 32 and HKAS 39 are related to the measurements of financial assets and financial liabilities.

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The adoption of HKAS 39 has had no material effect on the Group's accumulated profits.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 above are a decrease in amortisation of goodwill of approximately HK$9,060,000 for the current period (2004: Nil).

The effects on the balance sheet of the changes in the accounting policies described in note 2 above are as follows:

	As at 31st December, 2004 (originally stated) HK$'000	Adjustment HK$'000	As at 31st December, 2004 (restated) HK$'000	Adjustment HK$'000	**As at 1st January, 2005 (restated) HK$'000**
Balance sheet items					
Property, plant and equipment	559,012	(43,138)	515,874	—	**515,874**
Prepaid lease payments	—	43,138	43,138	—	**43,138**
Goodwill reserve	(3,636)	—	(3,636)	3,636	**—**
Capital reserve	11,966	—	11,966	(11,966)	**—**
Accumulated profits	756,609	—	756,609	8,330	**764,939**

4. SEGMENT INFORMATION

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

Six months ended 30th June, 2005

	Mould bases HK$'000	Metal & parts HK$'000	Total HK$'000
TURNOVER			
External sales	**808,024**	**90,810**	**898,834**
RESULTS			
Segment results	**130,293**	**17,012**	**147,305**
Unallocated corporate income			**5,901**
Finance costs			**(9,227)**
Profit before taxation			**143,979**
Taxation			**(17,303)**
Profit for the period			**126,676**

Six months ended 30th June, 2004

	Mould bases HK$'000	Metal & parts HK$'000	Total HK$'000
TURNOVER			
External sales	688,341	82,739	771,080
RESULTS			
Segment results	122,629	13,913	136,542
Unallocated corporate income			6,189
Finance costs			(9,295)
Profit before taxation			133,436
Taxation			(22,328)
Profit for the period			111,108

5. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30th June,	
	2005	2004
	HK$'000	HK$'000
(Gain) loss on disposal of property, plant and equipment	**(579)**	528
Interest income	**(3,335)**	(3,986)
Net exchange gain	**(715)**	(1,086)

6. TAXATION

	Six months ended 30th June,	
	2005	2004
	HK$'000	HK$'000
The charge (credit) comprises:		
Hong Kong Profits Tax, current period	**60**	127
Taxation in jurisdictions outside Hong Kong		
— current period	**21,730**	22,999
— overprovision in prior year	**—**	(798)
	21,730	22,201
Reinvestment tax credit	**(4,487)**	—
	17,303	22,328

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the periods.

Taxation in jurisdictions outside Hong Kong is calculated based on the applicable rates in these jurisdictions.

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), certain of 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.

Pursuant to an approval by local tax authority, a subsidiary of the Company is entitled to a benefit of approximately HK$4,487,000 (equivalent to approximately RMB4,779,000) in respect of its reinvestment made in a subsidiary. The amount is presented as a reinvestment tax credit

7. DIVIDENDS

On 19th May, 2005, a dividend of HK10 cents per share was paid to shareholders as final dividend for the year ended 31st December, 2004, (2004: HK8 cents per share, after adjusting for bonus share issue in 2004).

The Directors have determined that an interim dividend of HK9 cents per share (2004: HK8 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 30th September, 2005.

8. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2005	2004
	HK$'000	HK$'000
Earnings		
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**124,124**	109,167
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**619,329,823**	614,123,303
Effect of dilutive potential ordinary shares on exercise of options of the Company	**290,693**	52,058
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**619,620,516**	614,175,361

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

At 30th June, 2005, the Directors considered the carrying amount of the Group's investment properties carried at fair values and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no fair value adjustments has been recognised in the current period.

During the period, the Group incurred expenditure of approximately HK$10,623,000 on the construction in progress in the PRC.

In addition, the Group spent approximately HK$106,685,000, HK$5,570,000 and HK$3,180,000 on acquisition of plant and machinery, furniture and equipment and other assets, respectively, for the purpose of expanding the Group's business.

10. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

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$437,127,000 (31st December, 2004: HK$382,657,000).

An aged analysis of trade receivables and bills receivables are as follows:

	30th June, 2005 HK$'000	31st December, 2004 HK$'000
0 to 60 days	**316,597**	287,451
61 to 90 days	**114,306**	93,771
Over 90 days	**46,361**	45,480
	477,264	426,702

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

Included in trade and other payables are trade payables of approximately HK$98,407,000 (31st December, 2004: HK$104,484,000).

An aged analysis of trade payables and bills payables are as follows:

	30th June, 2005 HK$'000	31st December, 2004 HK$'000
0 to 60 days	**82,859**	115,498
61 to 90 days	**26,086**	27,996
Over 90 days	**25,530**	13,790
	134,475	157,284

12. UNSECURED BANK BORROWINGS

During the period, the Group raised new bank loans in the amount of approximately HK$64,179,000 (2004: HK$134,126,000) 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$179,763,000 (2004: HK$103,010,000) during the period.

13. 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.

14. CAPITAL COMMITMENTS

As at 30th June, 2005, the Group had capital expenditure amounting to approximately HK$144,221,000 (31st December, 2004: HK$119,594,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.