

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2006

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 on the historical cost basis, except for certain properties, which are measured at fair values, 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, 2005.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as the “new HKFRSs”), which are effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied any of the new standards, amendments or interpretations that have been issued but are not yet effective. The Directors anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and financial position of the Group.



3. SEGMENT INFORMATION

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

Six months ended 30th June, 2006

	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
TURNOVER			
External sales	909,975	82,932	992,907
RESULTS			
Segment results	99,395	10,338	109,733
Unallocated corporate income			6,751
Unallocated corporate expenses			(23,990)
Finance costs			(14,504)
Profit before taxation			77,990
Taxation			(14,142)
Profit for the period			63,848

Six months ended 30th June, 2005

	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
TURNOVER			
External sales	808,024	90,810	898,834
RESULTS			
Segment results	160,667	17,293	177,960
Unallocated corporate income			10,388
Unallocated corporate expenses			(30,655)
Finance costs			(9,227)
Profit before taxation			148,466
Taxation			(21,790)
Profit for the period			126,676

4. PROFIT BEFORE TAXATION

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

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
Impairment loss on trade and other receivables (included in other expenses)	2,357	7,487
Cost of inventories recognised as an expense	752,174	600,705
Gain on disposal of property, plant and equipment	(1,629)	(579)
Interest income	(1,665)	(3,335)



5. TAXATION

	Six months ended 30th June,	
	2006	2005
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	28	60
Taxation in jurisdictions outside Hong Kong	14,114	21,730
	14,142	21,790

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

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 People's Republic of China (the "PRC"), certain PRC subsidiaries enjoyed a 50% reduction on PRC enterprise income tax during the period.

Pursuant to an approval by local tax authority, a subsidiary of the Company is granted advanced-technology exemption from 50% PRC enterprise income tax reduction for three years with the period commencing 1st January, 2005.

6. DIVIDENDS

On 18th May, 2006, a dividend of HK11 cents per share was paid to shareholders as final dividend for the year ended 31st December, 2005 (2005: HK10 cents per share).

The Directors have determined that an interim dividend of HK4.5 cents per share (2005: HK9 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 29th September, 2006.

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,	
	2006	2005
	HK\$'000	HK\$'000
Earnings		
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	62,215	124,124
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	619,827,403	619,329,823
Effect of dilutive potential ordinary shares on exercise of share options of the Company	74,543	290,693
Weighted average number of ordinary shares for the purposes of diluted earnings per share	619,901,946	619,620,516



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

At 30th June, 2006, the Directors considered the carrying amounts 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. Consequently, no fair value gains or losses has been recognised in the current period.

During the period, the Group incurred expenditures of approximately HK\$44,871,000 on the construction in progress in the PRC.

In addition, the Group spent approximately HK\$92,705,000 and HK\$12,019,000 on acquisition of plant and machinery, furniture and equipment, respectively, for the purpose of expanding the Group's business.

9. 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\$445,862,000 (31st December, 2005: HK\$431,803,000).

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

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
0 to 60 days	313,927	305,277
61 to 90 days	102,732	92,754
Over 90 days	76,568	82,336
	493,227	480,367

10. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

Included in trade and other payables are trade payables of approximately HK\$129,741,000 (31st December, 2005: HK\$151,856,000).

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

	30th June, 2006 HK\$'000	31st December, 2005 HK\$'000
0 to 60 days	104,801	137,007
61 to 90 days	27,527	25,483
Over 90 days	28,279	30,213
	160,607	192,703

11. UNSECURED BANK BORROWINGS

During the period, the Group raised new bank loans in the amount of approximately HK\$424,402,000 (2005: HK\$64,179,000) which were used for repayment of the floating rate notes and general working capital requirement. Included in the amounts of new bank loans raised, approximately HK\$250,000,000 is not repayable within one year and the remaining balance is repayable within one year. The loans bear interest ranging from 3.78% to 5.54%.

In addition, the Group repaid bank loans amounting to approximately HK\$35,535,000 (2005: HK\$179,763,000) during the period.

12. FLOATING RATE NOTES

The floating rate notes were fully repaid in 2006.

**13. SHARE CAPITAL**

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.1 each Issued and fully paid		
At 1st January, 2006	619,677,303	61,968
Exercise of share options	<u>328,000</u>	<u>33</u>
At 30th June, 2006	<u>620,005,303</u>	<u>62,001</u>

14. CAPITAL COMMITMENTS

As at 30th June, 2006, the Group had capital expenditures amounting to approximately HK\$63,470,000 (31st December, 2005: HK\$147,140,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.