

NOTES TO THE CONDENSED CONSOLIDATED 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 and the manufacture and sale of stainless steel casting products. There was no change in the principal activities of the Group during the period.
2. **Basis of preparation and Accounting policies**

These condensed consolidated 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 (the "Listing Rules"). These condensed consolidated financial statements should be read in conjunction with the Annual Report 2005.

The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the Annual Report 2005.

During the period under review, the Company issued convertible bonds with an aggregate principal amount of HK\$800 million. The convertible bonds are convertible into ordinary shares of HK\$0.10 each in the share capital of the Company. Details of the issue of the convertible bonds were disclosed in the Company's press announcement dated April 19, 2006.

With regard to the features of the convertible bonds, and the requirements of HKAS 32 and 39, convertible bonds are split into liability and derivative components. On issuance of the convertible bonds, the fair value of the derivative component is determined using an option-pricing model. This amount is carried as a liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognized in the income statement.

For the period under review, the imputed interest of approximately HK\$6,409,000 and the fair value adjustment of approximately HK\$13,981,000 was charged and credited to the condensed consolidated income statement respectively for the convertible bonds.

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 under review are as follows:

Business Segments

	Manufacture and sale of dyeing and finishing machines <i>HK\$'000</i>	Trading of stainless steel supplies <i>HK\$'000</i>	Manufacture and sale of stainless steel casting products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended June 30, 2006 (unaudited)					
Revenue					
External sales	598,685	326,878	102,428	-	1,027,991
Inter-segment sales	29,720	184,220	15,196	(229,136)	-
Total	<u>628,405</u>	<u>511,098</u>	<u>117,624</u>	<u>(229,136)</u>	<u>1,027,991</u>
Inter-segment sales are charged at terms agreed between relevant parties					
Results					
Segment results	<u>75,168</u>	<u>55,882</u>	<u>16,430</u>		147,480
Finance costs					(15,691)
Interest income					7,108
Share of results of an associate					153
Share of results of jointly controlled entities	18,888				<u>18,888</u>
Profit before tax					157,938
Income tax expense					<u>(23,132)</u>
Profit for the period					<u>134,806</u>
Other information					
Depreciation and amortisation	<u>14,188</u>	<u>435</u>	<u>1,336</u>		<u>15,959</u>

3. Business and Geographical segments (Continued)

Business Segments (Continued)

	Manufacture and sale of dyeing and finishing machines <i>HK\$'000</i>	Trading of stainless steel supplies <i>HK\$'000</i>	Manufacture and sale of stainless steel casting products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	<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 results of a jointly controlled entity	15,629				<u>15,629</u>
Profit before tax					161,927
Income tax expense					<u>(20,968)</u>
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)

Geographical segments

	Revenue by geographical market for the six months ended June 30,	
	2006 unaudited HK\$'000	2005 unaudited HK\$'000
Hong Kong	283,227	325,088
The People's Republic of China (the "PRC")	355,514	454,352
Asia Pacific (other than the PRC and Hong Kong)	223,579	115,023
Europe	88,748	89,911
South & North America	60,657	85,157
Other	16,266	8,708
	1,027,991	1,078,239

4. Depreciation and Amortisation

For the period under review, depreciation of approximately HK\$14,513,000 (2005: HK\$14,356,000) was charged in respect of the Group's property, plant and equipment and amortisation of approximately HK\$1,446,000 (2005: HK\$1,206,000) was charged in respect of the Group's intellectual property rights.

5. Finance costs

	For the six months ended June 30,	
	2006 unaudited HK\$'000	2005 unaudited HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	5,593	6,039
Obligations under finance leases	-	23
Convertible bonds	6,409	-
Bank charges	3,198	2,186
Factoring charges	491	551
	15,691	8,799

6. Income tax expense

	For the six months ended June 30,	
	2006	2005
	unaudited HK\$'000	unaudited HK\$'000
Hong Kong Profits Tax		
Current period	17,063	12,146
Overseas income tax		
Current period	6,087	9,926
Under/(Over) provision in prior years	360	(47)
Deferred tax	(378)	(1,057)
	<u>23,132</u>	<u>20,968</u>

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the period. Overseas income tax is calculated at the rates prevailing in the respective jurisdictions.

7. Earnings per share

The calculation of basic earnings per share attributable to equity holders of the parent is based on the profit for the period attributable to equity holders of the parent of approximately HK\$134,806,000 (2005: HK\$141,303,000) and the following data:

	For the six months ended June 30,	
	2006	2005
	unaudited	unaudited
	Number of Shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>560,346,285</u>	<u>560,378,285</u>

Diluted earnings per share for the six months ended June 30, 2006 has not been presented as the convertible bonds had an anti-dilutive effect on the basic earnings per share for the period.

Diluted earnings per share for the six months ended June 30, 2005 has not been presented as there were no dilutive potential ordinary shares in issue in that period.

8. Dividends

	For the six months ended June 30,	
	2006	2005
	unaudited	unaudited
	HK\$'000	HK\$'000
Interim dividend of 8 cents (2005: 8 cents) per share	<u>44,688</u>	<u>44,830</u>
Interim special dividend of 3 cents (2005: 3.0 cents) per share	<u>16,758</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\$22,106,000 (2005: HK\$12,262,000)

10. Interest in jointly controlled entities

	as at June 30, 2006 unaudited HK\$'000	as at December 31, 2005 audited HK\$'000
Share of net assets	<u>65,218</u>	<u>60,751</u>
	<u>65,218</u>	<u>60,751</u>

11. Trade and other receivables

	as at June 30, 2006 unaudited HK\$'000	as at December 31, 2005 audited HK\$'000
Trade receivables (net of allowance of doubtful debts)	200,734	140,006
Other receivables	<u>140,747</u>	<u>86,679</u>
Total trade and other receivables	<u>341,481</u>	<u>226,685</u>

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

	as at June 30, 2006 unaudited HK\$'000	as at December 31, 2005 audited HK\$'000
Aged analysis of trade receivables:		
0-30 days	188,519	131,843
31-60 days	3,924	4,975
over 60 days	<u>8,291</u>	<u>3,188</u>
	<u>200,734</u>	<u>140,006</u>

12. Trade and other payables

The following is an aged analysis of trade payables:

	as at June 30, 2006 unaudited HK\$'000	as at December 31, 2005 audited HK\$'000
0-30 days	54,537	53,925
31-60 days	3,129	5,107
over 60 days	2,726	2,969
	<u>60,392</u>	<u>62,001</u>

13. Share capital

	as at June 30, 2006 unaudited HK\$'000	as at December 31, 2005 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 (2005: 560,378,285) ordinary shares of HK\$0.10 each	56,038	56,038
Repurchase of shares	<u>(36)</u>	<u>-</u>
At end of the period/year, 560,016,285 (2005: 560,378,285) ordinary shares of HK\$0.10 each	<u>56,002</u>	<u>56,038</u>

14. Movement of reserve

The Group

	Capital						Total HK\$'000
	Share Premium HK\$'000	Dividend reserve HK\$'000	redemption reserve HK\$'000	Translation reserve HK\$'000	Retained Profits HK\$'000	Contributed Surplus HK\$'000	
At January 1, 2006	198,725	67,245	1,477	(7,935)	532,134	25,582	817,228
Repurchase of shares	(1,719)	-	36	-	(36)	-	(1,719)
Exchange difference arising on translation of overseas subsidiaries	-	-	-	(3,533)	-	-	(3,533)
Share of changes in exchange reserves of an associate and jointly controlled entities	-	-	-	531	-	-	531
Net profit for the period	-	-	-	-	134,806	-	134,806
Final dividend paid	-	(28,019)	-	-	-	-	(28,019)
Final special dividend paid	-	(39,226)	-	-	-	-	(39,226)
Interim dividend	-	44,688	-	-	(44,688)	-	-
Interim special dividend	-	16,758	-	-	(16,758)	-	-
At June 30, 2006	197,006	61,446	1,513	(10,937)	605,458	25,582	880,068

15. Capital commitments

	as at June 30, 2006 unaudited HK\$'000	as at December 31, 2005 audited HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment	4,362	3,226

16. Related party transactions

For the six months ended June 30,	
2006	2005
unaudited	unaudited
<i>HK\$'000</i>	<i>HK\$'000</i>

During the period under review, the Group entered into the following transactions with related parties:

Related parties in which Directors have beneficial interests

Sales of goods	130	96
Purchase of materials	110	49
Commission and agency fee paid	3,046	2,495
Management fee received	-	153
Rental paid	<u>2,964</u>	<u>2,964</u>

Jointly controlled entities

Sales of goods	5,663	3,348
Purchase of materials	10,139	10,465
Commission and management fee received	<u>12,574</u>	<u>11,376</u>

Compensation of key management personnel

Short-term benefits	21,776	20,964
Post-employment benefits	<u>1,151</u>	<u>817</u>
	<u>22,927</u>	<u>21,781</u>