

# Notes to Condensed Financial Statements

30 September 2006

## 1. Accounting Policies

The unaudited condensed interim financial statements of the Company and its subsidiaries (the "Group") 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 ("HKICPA") 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 adopted in the preparation of these condensed interim financial statements are consistent with those set out in the Group's audited financial statements for the year ended 31 March 2006, except that the Group has adopted, for the first time for the current period's financial statements, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as the "New HKFRSs") issued by the HKICPA are effective for the annual periods commencing on or after 1 January 2006:

HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above New HKFRSs has had no material impact on the accounting policies of the Group and the methods of the computation in the Group's condensed interim financial statements.

The HKICPA has also issued a number of new and revised HKFRSs which are not yet effective for the current reporting period. The Group has not early adopted those new and revised HKFRSs in these condensed interim financial statements.

The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

## 2. Revenue and Segment Information

Revenue, which is also the Group's 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	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
People's Republic of China ("PRC") (including Hong Kong)	<b>744,235</b>	708,020	<b>155,262</b>	146,893
Taiwan	<b>107,993</b>	108,031	<b>12,329</b>	12,093
Other overseas countries	<b>208,626</b>	177,124	<b>38,451</b>	30,181
	<b><u>1,060,854</u></b>	<u>993,175</u>	<b><u>206,042</u></b>	<u>189,167</u>
Unallocated income and gains			<b>2,418</b>	1,483
Corporate and unallocated expenses			<b>(29,886)</b>	(25,633)
Finance costs			<b>(1,237)</b>	(3,368)
Share of profits less losses of associates			<b>1,246</b>	(943)
Profit before tax			<b><u>178,583</u></b>	<u>160,706</u>

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 before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold	<b>718,743</b>	685,867
Depreciation	<b>27,186</b>	26,479
Recognition of prepaid land lease payments	<b>858</b>	858
Gain on disposal of items of property, plant and equipment	<b>(221)</b>	(176)
Provision/(write-back of provision) for inventories, net	<b>(3,748)</b>	13,997
Excess over the cost of a business combination	–	(464)
Interest income	<b>(2,418)</b>	(1,019)
Loss on disposal of an investment at fair value through profit or loss	–	1,031
	<b><u>          </u></b>	<b><u>          </u></b>

### 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 (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Current:		
Charge for the period		
Hong Kong	–	–
Elsewhere	<b>19,151</b>	16,732
Overprovision in prior periods	<b>(1,843)</b>	–
Deferred	<b>(825)</b>	(3,503)
	<b><u>          </u></b>	<b><u>          </u></b>
Tax charge for the period	<b>16,483</b>	13,229

## 5. Dividends

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of HK\$0.15 (2005: HK\$0.14) per ordinary share	<b>92,793</b>	86,546
Additional final dividend due to exercise of share options	<b>445</b>	48
	<b><u>93,238</u></b>	<u>86,594</u>
Interim dividend declared after the interim period end of HK\$0.08 (2005: HK\$0.05) per ordinary share	<b><u>49,735</u></b>	<u>30,926</u>

## 6. Earnings per Share Attributable to Equity Holders of the Company

The calculation of basic earnings per share amounts is based on the Group's net profit attributable to equity holders of the Company for the period of HK\$162,731,000 (2005: HK\$147,214,000) and on the weighted average number of 621,149,919 (2005: 618,488,644) ordinary shares in issue during the period.

The calculation of diluted earnings per share amounts is based on the Group's net profit attributable to equity holders of the Company for the period of HK\$162,731,000 (2005: HK\$147,214,000) and on the weighted average number of 626,930,520 (2005: 626,434,537) ordinary shares, being the weighted average number of 621,149,919 (2005: 618,488,644) ordinary shares in issue during the period as used in the basic earnings per share calculation and the weighted average number of 5,780,601 (2005: 7,945,893) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

## 7. Property, Plant and Equipment

The movements of property, plant and equipment of the Group are as follows:

	<i>HK\$'000</i>
Net carrying amount at 1 April 2006	661,423
Additions	9,772
Disposals	(280)
Write-offs	(212)
Depreciation provided for the period	(27,186)
Exchange realignment	10,985
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Net carrying amount at 30 September 2006	<u>654,502</u>

## 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. The carrying amounts of the trade and bills receivables approximate to their fair values.

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

	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current	<b>416,323</b>	385,054
1-90 days	<b>105,837</b>	98,228
91-180 days	<b>20,372</b>	17,517
Over 180 days	<b>5,866</b>	16,634
	<hr/> <b>548,398</b> <hr/>	<hr/> 517,433 <hr/>

## 9. Trade and Bills Payables

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

	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
Current	<b>251,307</b>	198,183
1-90 days	<b>36,960</b>	50,670
91-180 days	<b>4,146</b>	2,575
Over 180 days	<b>5,615</b>	11,072
	<u><b>298,028</b></u>	<u>262,500</u>

## 10. Share Capital

	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<u><b>100,000</b></u>	<u>100,000</u>
Issued and fully paid:		
621,687,600 (31 March 2006: 618,619,600) ordinary shares of HK\$0.10 each	<u><b>62,169</b></u>	<u>61,862</u>

## 10. Share Capital *(Continued)*

During the period, the subscription rights attaching to 100,000 and 2,968,000 share options were exercised at the exercise prices of HK\$1.05 and HK\$1.988 per ordinary share (note 11) respectively, resulting in the issue of 3,068,000 ordinary shares of HK\$0.10 each for a total cash consideration, before issue expenses, of approximately HK\$6,005,000 in aggregate.

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

	<b>Number of ordinary shares in issue</b>	<b>Issued share capital <i>HK\$'000</i></b>	<b>Share premium account <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
At 1 April 2006	618,619,600	61,862	490,186	552,048
Share options exercised	3,068,000	307	5,698	6,005
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2006	<u>621,687,600</u>	<u>62,169</u>	<u>495,884</u>	<u>558,053</u>

## 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.

## 11. Share Options (Continued)

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					Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	At 1 April 2006	Granted during the period	Exercised during the period	Forfeited during the period	At 30 September 2006	(D/M/Y)	(D/M/Y)	HK\$
<b>Director or substantial shareholder</b>								
Chen CHIANG	1,000,000	-	(1,000,000)	-	-	11/3/2003	11/3/2006 – 10/3/2013	1.988
	1,000,000	-	-	-	<b>1,000,000</b>	11/3/2003	11/3/2008 – 10/3/2013	1.988
	<u>2,000,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>-</u>	<u>1,000,000</u>			
Lai Yuen CHIANG	2,000,000	-	-	-	<b>2,000,000</b>	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	-	-	-	<b>668,000</b>	11/3/2003	11/3/2008 – 10/3/2013	1.988
	<u>3,334,000</u>	<u>-</u>	<u>(666,000)</u>	<u>-</u>	<u>2,668,000</u>			
Chi Kin CHIANG	400,000	-	-	-	<b>400,000</b>	31/8/2001	31/8/2006 – 28/2/2009	1.050
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2006 – 10/3/2013	1.988
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2008 – 10/3/2013	1.988
	<u>1,068,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,068,000</u>			
Stephen Hau Leung CHUNG	400,000	-	-	-	<b>400,000</b>	31/8/2001	31/8/2006 – 28/2/2009	1.050
	332,000	-	-	-	<b>332,000</b>	11/3/2003	11/3/2004 – 10/3/2013	1.988
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2006 – 10/3/2013	1.988
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2008 – 10/3/2013	1.988
	<u>1,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400,000</u>			
Sam Hon Wah NG	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2007 – 10/3/2013	1.988
	334,000	-	-	-	<b>334,000</b>	11/3/2003	11/3/2009 – 10/3/2013	1.988
	<u>668,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,000</u>			



## 11. Share Options (Continued)

Name or category of participants	Number of share options					Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	At 1 April 2006	Granted during the period	Exercised during the period	Forfeited during the period	At 30 September 2006	(D/M/Y)	(D/M/Y)	HK\$
<b>Director or substantial shareholder</b>								
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
	<u>1,200,000</u>	<u>-</u>	<u>(600,000)</u>	<u>-</u>	<u>600,000</u>			
Sub-total	<u>9,670,000</u>	<u>-</u>	<u>(2,266,000)</u>	<u>-</u>	<u>7,404,000</u>			
<b>Employees (other than directors)</b>								
In aggregate	500,000	-	(100,000)	-	400,000	31/8/2001	31/8/2006 – 28/2/2009	1.050
	42,000	-	(32,000)	-	10,000	11/3/2003	11/3/2004 – 10/3/2013	1.988
	774,000	-	(670,000)	-	104,000	11/3/2003	11/3/2006 – 10/3/2013	1.988
	110,000	-	-	-	110,000	11/3/2003	11/3/2007 – 10/3/2013	1.988
	870,000	-	-	(114,000)	756,000	11/3/2003	11/3/2008 – 10/3/2013	1.988
	110,000	-	-	-	110,000	11/3/2003	11/3/2009 – 10/3/2013	1.988
	<u>2,406,000</u>	<u>-</u>	<u>(802,000)</u>	<u>(114,000)</u>	<u>1,490,000</u>			
Sub-total	<u>2,406,000</u>	<u>-</u>	<u>(802,000)</u>	<u>(114,000)</u>	<u>1,490,000</u>			
Total	<u>12,076,000</u>	<u>-</u>	<u>(3,068,000)</u>	<u>(114,000)</u>	<u>8,894,000</u>			

\* 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.

## 11. Share Options (Continued)

Notes:

1. The weighted average closing prices of the share immediately before the dates on which the options were exercised by Dr. Chen CHIANG, Ms. Lai Yuen CHIANG, Chen Hsong Investments Limited and "Employees (other than directors)" are HK\$4.70, HK\$4.20, HK\$4.70 and HK\$4.39 respectively.
2. The share options granted under the 2002 Scheme are for a consideration of HK\$1.00 per grant.
3. The 3,068,000 share options exercised during the period resulted in the issue of 3,068,000 ordinary shares of HK\$0.10 each of the Company and new share capital of approximately HK\$307,000 and share premium of approximately HK\$5,698,000 (before issue expenses), as detailed in note 10 to the financial statements.
4. At 30 September 2006, the Company had 3,200,000 (31 March 2006: 3,300,000) and 5,694,000 (31 March 2006: 8,776,000) share options outstanding under the 1996 Scheme and the 2002 Scheme respectively. The exercise in full of the share options outstanding would, under the present capital structure of the Company, result in the issue of 8,894,000 additional ordinary shares of HK\$0.10 each of the Company and additional share capital of approximately HK\$890,000 and share premium of approximately HK\$13,790,000 (before issue expenses).

## 12. Contingent Liabilities

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

	<b>30 September</b>	31 March
	<b>2006</b>	2006
	<b>HK\$'000</b>	HK\$'000
Guarantees given to financial institutions in connection with facilities granted to certain third parties, at the maximum	<b>95,074</b>	92,137

### 13. Commitments

At 30 September 2006, 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\$1,951,000 (31 March 2006: HK\$2,995,000).

### 14. Related Party Transactions

- (i) During the period, the Group purchased raw materials amounting to HK\$18,943,000 (2005: HK\$25,115,000) from an associate at prices and on terms similar to those offered by unrelated suppliers of the Group.
- (ii) Compensation of key management personnel of the Group:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Short term employee benefits	<b>17,521</b>	13,651
Post-employment benefits	<b>42</b>	33
Share-based payments	<b>141</b>	342
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b><u>17,704</u></b>	<u>14,026</u>