

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

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 investment 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, 2006.

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 the Group’s accounting period beginning 1st January, 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

Standards or interpretations issued but not yet effective

The Group has not early applied the new standards, amendments or interpretations that have been issued but are not yet effective.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are presented. These new HKFRSs may result in changes in the future as to how the results and financial position are presented.

3. CHANGE OF ACCOUNTING ESTIMATE

Prior to 1st January, 2007, buildings of the Group were depreciated over the term of the relevant lease or land use right, or 50 years, whichever is shorter. As part of the annual review process, management has reassessed the useful life of the buildings and considers that it is more appropriate to use 20 years as the estimated useful life. With effect from 1st January, 2007, buildings were depreciated over the term of the relevant lease or land use right, or 20 years, whichever is shorter. This change in accounting estimate has increased the depreciation charge for the current period by approximately HK\$7,900,000.

4. SEGMENT INFORMATION

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

Six months ended 30th June, 2007

	Mould bases HK\$'000	Metal and parts HK\$'000	Total HK\$'000
TURNOVER			
External sales	1,160,229	88,263	1,248,492
RESULTS			
Segment results	172,919	15,831	188,750
Unallocated income			4,168
Unallocated expenses			(29,019)
Finance costs			(17,916)
Profit before taxation			145,983
Taxation			(21,142)
Profit for the period			124,841

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 income			6,751
Unallocated expenses			(23,990)
Finance costs			(14,504)
Profit before taxation			77,990
Taxation			(14,142)
Profit for the period			63,848

5. PROFIT BEFORE TAXATION

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

	Six months ended 30th June,	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Cost of inventories recognised as expense	908,809	752,174
Gain on disposal of property, plant and equipment	(244)	(1,629)
Interest income	(1,350)	(1,665)

6. TAXATION

	Six months ended 30th June,	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	—	28
Taxation in jurisdictions outside Hong Kong	21,142	14,114
	21,142	14,142

Hong Kong Profits Tax was calculated at 17.5% on the estimated assessable profit for the six months ended 30th June, 2006. No provision for Hong Kong Profits Tax has been made for the six months ended 30th June, 2007 as there are no assessable profit for the period.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated annual tax rate used for the six months ended 30th June, 2007 is ranged from 12% to 27% (2006: 12% to 27%).

Pursuant to an approval by the People's Republic of China (the "PRC") tax authority, one of the Company's PRC subsidiaries is granted advanced-technology exemption from 50% PRC income tax for three years commencing 1st January, 2005.

7. DIVIDENDS

On 17th May, 2007, a dividend of HK6.5 cents per share was paid to shareholders as final dividend for the year ended 31st December, 2006 (2006: HK11 cents per share).

The Directors have determined that an interim dividend of HK8 cents per share (2006: HK4.5 cents per share) should be paid to the shareholders of the Company whose names appear in the Register of Members on 28th September, 2007.

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,	
	2007	2006
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to equity holders of the Company for the purpose of basic and diluted earnings per share	124,170	62,215
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	Six months ended 30th June,	
	2007	2006
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	620,008,132	619,827,403
Effect of dilutive potential ordinary shares on exercise of share options of the Company	11,702	74,543
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Weighted average number of ordinary shares for the purpose of diluted earnings per share	620,019,834	619,901,946

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

At 30th June, 2007, the Directors considered the carrying amounts of the Group's investment properties do not differ significantly from the fair values. Consequently, no change in fair value has been recognised in the current period.

During the period, the Group incurred expenditures of approximately HK\$5,032,000 (2006: HK\$44,871,000) on the construction in progress in the PRC.

In addition, the Group spent approximately HK\$12,088,000 (2006: HK\$92,705,000) and HK\$8,952,000 (2006: HK\$12,019,000) on acquisition of plant and machinery, and furniture and equipment, respectively, for the purpose of expanding the Group's production facilities.

10. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLE

The Group allows an average credit period of 30 days to 90 days to its trade customers.

Included in trade and other receivables are trade receivables of approximately HK\$546,467,000 (31st December, 2006: HK\$466,015,000).

An aged analysis of the Group's trade receivables and bills receivable at the balance sheet date are as follows:

	30th June, 2007 (unaudited) HK\$'000	31st December, 2006 (audited) HK\$'000
0 to 60 days	401,346	342,926
61 to 90 days	115,409	94,885
Over 90 days	71,171	70,446
	587,926	508,257

11. TRADE AND OTHER PAYABLES AND BILLS PAYABLE

Included in trade and other payables are trade payables of approximately HK\$123,579,000 (31st December, 2006: HK\$133,771,000).

An aged analysis of the Group's trade payables and bills payable at the balance sheet date are as follows:

	30th June, 2007 (unaudited) HK\$'000	31st December, 2006 (audited) HK\$'000
0 to 60 days	118,380	120,409
61 to 90 days	19,327	29,194
Over 90 days	18,983	19,991
	156,690	169,594

12. UNSECURED BANK BORROWINGS

During the period, the Group raised new bank loans in the amount of approximately HK\$196,609,000 (2006: HK\$424,402,000) which were used for repayment of the bank loan and general working capital requirements.

In addition, the Group repaid bank loans amounting to approximately HK\$100,520,000 (2006: HK\$35,535,000) during the period.

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Issued and fully paid ordinary shares of HK\$0.1 each:		
At 1st January, 2007	620,005,303	62,001
Issue of shares by exercise of share options	8,000	1
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At 30th June, 2007	620,013,303	62,002
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14. CAPITAL COMMITMENTS

As at 30th June, 2007, the Group had capital expenditures amounting to approximately HK\$15,404,000 (31st December, 2006: HK\$13,893,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements.