

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS PERFORMANCE

For the financial year ended 31 March 2001, the consolidated turnover of the Group increased 12% from the previous year to HK\$1,239,274,000. Profit attributable to shareholders increased by 124% to HK\$121,226,000. Earnings per share also increased by 124% to HK19.9 cents. The growth in profit attributable to shareholders for the current year would have been 21%, should the provision for diminution in value of the Taiwan investment amounting HK\$46,482,000 in the previous year been taken off.

The Board of Directors recommends a final dividend of HK\$0.06 per share which, taken together with HK\$0.04 of interim dividend paid, represents a total dividend of HK\$0.10 for the financial year, an increase of 67% compared to last year's total dividend payout of HK\$0.06 per share. Payment of

this final dividend is subject to shareholders approval at the Company's annual general meeting to be held on 31 August 2001.

The Group's performance has been robust for this financial year, with healthy growth in the core business. The Group continues to enhance its competitive advantages, adapting fully to market conditions in the new century, and to create a more favourable environment for the Group to grow.

MAJOR MARKETS ANALYSIS

During the financial year, business in Mainland China, Hong Kong and Taiwan accounted for 88% of the Group's consolidated turnover. An analysis of the Group's turnover by geographical area of principal markets for the years ended 31 March 2001 and 2000 is as follows:

	Turnover			
	2001		2000	
	HK\$'000	%	HK\$'000	%
Mainland China	571,181	46	447,822	41
Hong Kong SAR	236,151	19	203,342	18
Taiwan	286,282	23	293,962	27
Other Asian Countries	66,904	5	48,413	4
The Middle East and Africa	35,361	3	55,056	5
Others	43,395	4	53,601	5
	1,239,274	100	1,102,196	100

Turnover of Mainland China market increased by 28% over the previous financial year, reflecting an increasing demand for plastic injection moulding machines, especially for medium-to-large tonnage machines (i.e. those over 600 tons of clamping force). The Group can ride on such trend for future growth with its advantage on technology of making large-tonnage machines.

In order to prepare for penetrating aggressively to the Mainland China market, the Group has started in this year to gradually restructure the sales and distribution networks of plastic injection moulding machines and realign resources strategically for major operating subsidiaries.

This will bring about significant synergies to further enhancing competitiveness in this crucial market. Several major subsidiaries of the Group are going to act together to explore the Eastern China market. Other than the export-dominated Southern China region, business in Mainland China as a whole remained relatively unaffected by the slowdown in the U.S. economy. We will observe if the situation will change in the next year.



The Hong Kong market registered a growth of 16% over previous year, mainly from a strong demand situation during the first half of the financial year, especially for high value-added products. In fact, such solid growth in Hong Kong signifies confidence from the market regarding the newly-operating Chen Hsong Industrial Park in Shenzhen and its ability to turn out quality products in volume.

As Taiwan has experienced an economic slowdown and political tension during the

year, Taiwan customers even have more initiation than Hong Kong customers in ordering directly in Mainland China. The economy of Taiwan has reacted sensitively to the U.S. economy, particularly obvious in the slowdown of the electronics industry. As affected by this market atmosphere, domestic sales in Taiwan recorded a slight decline of 3% as compared to last year. This impact on sales orders in Taiwan was reflected in the third quarter of this financial year and might persist in the coming year.

re-location

The Chen Hsong Industrial Park consists of a total land area of 560,000 m² and will be the flagship of the Group's manufacturing and development capabilities in the future.



World-wide sales excluding Greater China in 2001 recorded a decline of 7% from last year. The Group has already put in place a response strategy, focusing on the two crucial tasks of aggressively expanding the world-wide sales network and enhancing after-sales service standards. To pose for a new, aggressive push into the world market, the Group has started regrouping of subsidiaries' distribution channels in the world-wide market in order to coherent sales networks, consolidation of strategic resources, and establishment of new strategic bases — subsidiary companies in India and Dubai, Middle East and a service center in Mexico.

In a nutshell, it is foreseen that the Taiwan business will face with competitive market pressure in the coming year, to be countered by strong growth in Mainland

China and other world markets. We believe that, with a commitment to ever-enhance product quality and service, develop and expand distribution networks and control costs, the Group is fully prepared for a challenging market environment.

NEW PRODUCTS DEVELOPMENT

JM-ECO All-Electric Injection Moulding Machine Series

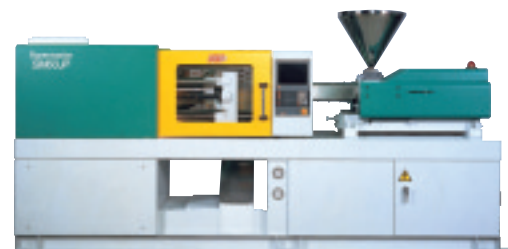
The JM-ECO All-Electric series is the result of a joint development between the Group and European technical consultants, representing a truly world-class leap for the Group's product portfolio. The all-electric design incorporates high speed, stability, low energy consumption and quietness, and coupled with a new computer controller developed in-house, is perfect for applications requiring high precision and sterility.

re-engineer

The Group continues to enhance its competitive advantages, adapting fully to market conditions in the new century, and to create a more favourable environment.....



JM-ECO All-Electric Injection Moulding Machine



SM Series Hydraulic Clamping Injection Moulding Machine