

## | INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4 cents (2000: HK4 cents) per ordinary share in issue for the six months ended 30 September 2001 to shareholders on the register of members on Friday, 18 January 2002. The interim dividend will be paid on or about Thursday, 31 January 2002.

## | CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 16 January 2002 to Friday, 18 January 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrars in Hong Kong, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Hong Kong not later than 4:00 p.m. on Tuesday, 15 January 2002.

## | MANAGEMENT'S DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS

#### *Turnover and Profit Attributable to Shareholders*

Suffered from global economic slowdown during the period, the Group turnover for the six months ended 30 September 2001 was HK\$572 million (2000: HK\$656 million), a decrease of 13% over the corresponding period last year. Profit attributable to shareholders also dropped by 34% to HK\$50.2 million (2000: HK\$76.4 million).

#### *Profit Margin*

The net profit margin for the period is mainly affected by the following factors:

1. Due to severe market competition, selling price in various markets has experienced significant drop as compared to last year. Gross profit contribution for the period is much affected.

2. Interest income is reduced by HK\$5.4 million due to the interest rate cut.
3. Establishment of new sales and distribution network in Mainland China in order to capture previously unattended markets incurs an extra HK\$6 million in selling and distribution expenses.

## MAJOR MARKETS ANALYSIS AND OUTLOOK

The following table shows the breakdown of the Group turnover by customer type:

Customer Type	Six months ended		
	30 September		
	2001 (HK\$m)	2000 (HK\$m)	% change
Mainland China	329	300	+10%
Hong Kong	91	113	-19%
Taiwan	66	168	-61%
Other overseas countries	86	75	+15%

The U.S. economic slowdown has dealt a direct and heavy blow to Taiwan's export-oriented economy. Our customers in Taiwan, particularly in electronics, computers and telecommunications equipment industries were severely hit. This difficult industry environment will continue at least for a period of time. However, it is expected that the Group's Taiwan business will pick up immediately when the U.S. economy recovers.

The market in Hong Kong was also affected by the world economic slowdown. The September 11 incident caused a severe confidence crisis and a sudden wave of customers delaying orders and deliveries, resulting in significant finished-goods build-up during the last two weeks of September. Impacts on the third quarter will be most pronounced than the first half, while the fourth quarter may start to stabilise as customer confidence recovers.

Mainland China remained one of the last fortresses in the world economy relatively immune to the current shakeout, with GDP growth forecasted at a comfortable 7.3%. Although feeling some of the effects of the poor world economy, China's domestic consumption continues to grow and the injection moulding machinery industry was in part sheltered from the turmoil of other world markets.

The Group followed through its plan to restructure the China sales network, starting in Eastern China where the first consolidated sales team and a satellite assembly plant were established in June. The Eastern China network reached its designated target and averaged RMB 7 million of monthly sales for the first three months of official operations. More regional sales networks and satellite operating centres will be established in the near future.

The Group managed to register a 15% increase in international sales due to an export expansion program started earlier this year and the creation of a consolidated international sales network. With a service centre in Mexico already established, another service centre in Dubai and a subsidiary company in India under formation, the Group's international sales is well on its way to achieve the target of 25% of total turnover within the next few years.

### **PROGRESS ON NEW PRODUCTS**

Pilot units of the ***JM 55 ECO series All-Electric Injection Moulding Machine*** were launched in March this year and responses from customers were favourable. First production launch is expected mid-next year. Large tonnage machines are most popular in the Eastern, Northern and North Eastern China. Two new models of ***SM-600 and SM-850 Large Tonnage Toggle Injection Moulding Machine*** were successfully introduced there.

With respect to the popular ***SM-HC Series of Hydraulic Clamping Machines***, significant cost reductions and increase in competitiveness can be expected after its start of production in the Shenzhen Industrial Park late this year, instead of importing from Taiwan.

## FINANCIAL CONDITION

The Group's liquidity remains robust. As at 30 September 2001, the Group has cash and cash equivalents of HK\$474 million (31 March 2001: HK\$514 million). Netting off the short-term and long-term bank loans, the Group has a net cash balance of HK\$244 million as at 30 September 2001. Therefore, the gearing ratio (net debt to total shareholders' fund) remains zero. The Group has consistently maintained a healthy financial status and a sufficient liquidity to meet its commitments and funding requirements.

The Group endeavours to hedge its foreign currency investments with an appropriate level of borrowings in those currencies in order to manage the Group's exposure on foreign exchange. As at 30 September 2001, the Group has foreign currency bank borrowings that comprise of RMB98.6 million and NTD600 million.

## HUMAN RESOURCES

As at 30 September 2001, the Group's total number of full time employees was about 2,900. In addition to competitive remuneration package offered to the employees, share options of the Company may be granted by the Group to attract and retain talented employees. During the six months ended 30 September 2001, options to subscribe for 10,400,000 shares of the Company were granted to more than 100 full time employees.

## PLANS FOR THE SECOND HALF

Visibility of the global economic situation is still poor. Therefore, it is prudent to say that the second half of the financial year will still be a difficult period. The Group is actively opening new revenue sources and reducing operating costs in order to maintain this year's performance, including:

1. Continued Market Expansion – accelerate market share penetration activities in China and international markets through appointing more sales agents and authorised dealers.

2. Strengthened Asset Management – add new short-term sales incentives to push existing inventory, and set up new task forces to optimise the supply chain and reduce logistic cycle times.
3. Shared Resources – actively redeploy the Group’s resources and personnel to create a simpler, more efficient and leaner organisation structure.

Through these measures, the Group will be able to take first advantage of any recovery in the global economy to achieve better business performance.

## **| DIRECTORS’ INTERESTS IN SHARES**

The beneficial personal interests of the directors, chief executives and their associates in Chen Hsong Investments Limited (“CH Investments”), the immediate holding company of the Company, at 30 September 2001 are set out below:

<b>Director</b>	<b>Number of shares held</b>	<b>Percentage of shareholdings</b>
Ann Lai Wan CHIANG	1,217,000	1.6
Lai Yuen CHIANG	1,216,000	1.6

At 30 September 2001, CH Investments held 410,001,620 shares, which represented approximately a 67.35% equity interest in the Company, and all of the non-voting deferred shares of the subsidiaries of the Company.

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”).

## **| DIRECTORS' RIGHTS TO ACQUIRE SHARES**

During the period, option to subscribe for 2,000,000 shares of the Company was granted to an executive director of the Company, Ms. Lai Yuen CHIANG, at the subscription price of HK\$1.05 per share pursuant to the terms of the share option scheme adopted by the Company on 30 August 1996. The option shall be exercisable during the period from 31 August 2006 to 28 February 2009 (both days inclusive).

As at 30 September 2001, the aggregate number of shares over which options had been granted to Ms. Lai Yuen CHIANG was 3,000,000, all of which had remained outstanding.

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any rights exercised by them; or was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

## **| SUBSTANTIAL SHAREHOLDERS' INTERESTS**

At 30 September 2001, the only persons recorded in the register required to be kept under Section 16(1) of the SDI Ordinance as having interests in 10% or more of the share capital of the Company were CH Investments and Cititrust (Bahamas) Limited, which were both interested in the same parcel of 410,001,620 shares, representing approximately a 67.35% equity interest in the Company.

Cititrust (Bahamas) Limited owns an aggregate of approximately 84.42% of the issued share capital of CH Investments in its capacity as trustee of The Chiangs' Industrial Foundation and The Chiangs' Family Foundation.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

## **| PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the period.

## **| AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2001.

## **| CODE OF BEST PRACTICE**

In the opinion of the directors, the Company complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

On behalf of the Board

**Chen CHIANG**

*Chairman*

Hong Kong, 14 December 2001