

Turnover by Customer Type

Breakdown of turnover for the six months ended 30 September 2003, based on customer type, is analysed as follows:

Customer Type	<i>For the six months ended 30 September</i>		Change
	2003 (HK\$m)	2002 (HK\$m)	
Mainland China	494	437	+13%
Hong Kong SAR	101	138	-27%
Taiwan	101	104	-3%
Other overseas countries	107	79	+35%
Total	803	758	+6%

The expected growth of 7% in the PRC's domestic economy in 2003 provides a strong driver for demand in the plastic injection moulding machines market. Responding to the outbreak of SARS, the Central Government imposed a series of restrictive measures that caused a number of exhibitions and business meetings to be cancelled or postponed; and travel restrictions and banning of recreational activities that slowed down consumer consumption had impacted the Group's businesses. The Management had successfully responded by implementing corrective measures and adjusting sales and marketing strategies that had led to a 13% growth in turnover to HK\$494 million (2002: HK\$437 million). The Group disposed of its shareholding in Guangzhou Chen Gao Machinery Company Limited last year, and such subsidiary contributed HK\$8 million non-plastic injection moulding machines sales to the Group's turnover during the corresponding period last year. Excluding these sales, the Group's turnover in PRC would have grown by 15% during the period under review.

The outbreak of SARS in Hong Kong had severely affected the domestic economy with turnover of Hong Kong customers dropped by 27% during the period under review to HK\$101 million (2002: HK\$138 million) as compared with the corresponding period of last year. From July onwards, the Central Government adopted measures that aimed at driving the Hong Kong economy, such as the signing of the "Closer Economic Partnership Arrangement" (CEPA) with Hong Kong, and allowing PRC citizens to travel freely to Hong Kong, etc., had helped Hong Kong to re-start its economic engine. The Group anticipates better results among Hong Kong customers in the second half of the financial year.

Taiwan was seriously affected by SARS, particularly in its export-oriented sector, which refrained foreign customers from travelling to Taiwan for business meetings. In addition, SARS also affected and reduced the activities between Taiwan and PRC at citizen level. During the review period, Taiwanese customers recorded a drop in turnover of 3% to HK\$101 million (2002: HK\$104 million). As Taiwanese customers had become more active in the third quarter of this year, the Group is confident that the Taiwan operation will contribute growth for the full year.

The overseas markets were affected to a lesser extent by SARS and recorded impressive turnover growth of 35% to HK\$107 million (2002: HK\$79 million) for the first half-year of the financial year. Significant breakthroughs were experienced in the Group's self-developed "CHEN-PET systems", particularly the larger 48-cavity systems. These showed that after years of product development and field-testing with customers, the CHEN-PET system has gained maturity and entered into the fast growing worldwide market for PET preforms. The Group is confident that operation of the overseas markets will continue to grow.

Acquisitions and Expansions

On 29 September 2003, the Group announced that it had entered into agreements with Guangdong Macro Company Limited for acquiring the 49% share interests owned by them in the Group's non-wholly owned subsidiaries, namely, Shunde Chen De Plastics Machinery Company Limited, Shunde Chen De No. 2 Plastics Machinery Company, Limited and Shunde Chen De No. 3 Plastics Machinery Company, Limited. The acquisition price was approximately HK\$198 million, and completion is expected to take place in the second half of the financial year. After the acquisition, the Group will systematically consolidate its PRC customers and their demand for products with the aim to accelerate market development in the PRC.

For future development, the Group has consistently added to its productive investments in the PRC. During the period under review, the Group started the second phase expansion of its flagship manufacturing base in Shenzhen, the "Chen Hsong Industrial Park", as well as building a brand new assembly plant in Ningbo, Zhejiang province. These new facilities will commence operations in the second half of the financial year and next financial year, and will greatly enhance the Group's production and assembling capacity.

Financial Conditions

The businesses of the Group have grown in a stable manner that led to its satisfactory financial position. As at 30 September 2003, the Group registered an increase in Net Assets of HK\$92 million from the corresponding date of last year to HK\$1,404 million (2002: HK\$1,312 million (Restated)).

The Group consistently adopts a prudent financial management strategy, and reserves sufficient liquidity to meet its operations commitments and other funding requirements. As at 30 September 2003, the Group registered an increase in net bank and cash balances (bank and cash balances, less bank borrowings) of HK\$76 million to HK\$473 million (2002: HK\$397 million). Details of cash movements were analysed in the Condensed Consolidated Cash Flow Statement.

Treasury and Foreign Exchange Management

The Group adopts a solid strategy in order to manage and reduce foreign exchange exposure, and endeavours to hedge its foreign currency investments with appropriate levels of foreign currency borrowings. Forward exchange contracts were used for hedging payments in certain volatile foreign currencies. As at 30 September 2003, the Group has foreign currency borrowings equivalent to HK\$92 million (2002: HK\$225 million).

Human Resources Development

As at 30 September 2003, the Group, including its subsidiaries but excluding associates, employed approximately 2,900 full-time employees, the number of which was similar to last year. The Group ensures that pay levels of employees are market-competitive and that they are rewarded on a performance basis under the general framework of the Group's bonus system. In addition to salary and benefits, share options of the Company are granted to selected employees of the Group for attracting and retaining talented employees. In order to improve quality and professional knowledge of staff, the Group regularly reviews and implements programs that include provision of comprehensive educational, professional training and social activities counseling.

Plans for the Second Half

The latest positive economic statistics published in the US have been leading the surge of stock markets worldwide and regional economic recovery, and benefiting the export-oriented customers of the Group. Through improving relationship, the PRC government has been increasing the range and depth of economic co-operations with its neighbouring countries. As required by the WTO Agreement, China shall gradually open up its domestic economy, and the PRC government has revised and implemented certain policies that include enhancing the economic development of the Hong Kong-Macau-Zhuhai delta and the Yangzi River delta, allowing the PRC citizens to travel freely to Hong Kong, signing the CEPA arrangement with Hong Kong and the entering into other economic co-operative memorandum with a number of Asian-based countries, and the policy on Renminbi currency, etc. These new developments enhance directly or indirectly the domestic economic growth of the PRC, thus benefiting neighbouring countries.

Based on the above positive factors, the Group anticipates satisfactory growth in the second part of the financial year. Following the establishment of new productive facilities and continuous improvement of production efficiency, the Group will actively capture new market opportunities and higher market share, and believes that a stronger second half shall bring a better overall growth for the financial year as a whole.

APPOINTMENT OF CHIEF EXECUTIVE OFFICER

The Board announces that Dr. Chen CHIANG will not act as Chief Executive Officer of the Company with effect from 1 April 2004 and Ms. Lai Yuen CHIANG will act as Chief Executive Officer of the Company with effect from the same date. Dr. Chen CHIANG will continue to be Chairman of the Board.