Interim Dividend

The Board has resolved to declare an interim dividend of HK5 cents (2004: HK5 cents) per ordinary share for the six months ended 30 September 2005 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 30 December 2005. The interim dividend declared will be paid on or about Wednesday, 11 January 2006.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 28 December 2005 to Friday, 30 December 2005, 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 and transfer forms must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23 December 2005.

Management's Discussion and Analysis

Results

Under the impact of external factors such as fluctuating oil prices, the Group registered total turnover of HK$993 million (2004: HK$1,004 million) during the six months ended 30 September 2005, a minor decline of 1.1% over the same period of last year. Profit attributable to equity holders decreased slightly by 7.5% to HK$147 million (2004: HK$159 million, as restated) compared with the same period of last year. Basic earnings per share was HK23.8 cents (2004: HK25.8 cents, as restated), also a slight decline of 7.8% over the same period of last year. The Board of Directors had resolved to declare an interim dividend of HK5 cents per share.

During the period under review, international crude oil prices fluctuated wildly, causing the prices of plastic resins to rise in tandem that severely impacted market confidence. Under these uncertain economic conditions, when customers could not predict future raw material prices and their profitability, decisions on new investments in manufacturing equipment became extremely cautious. Total market demand during the first quarter of this financial year was significantly below the level witnessed amidst the very robust market conditions during the same period last year.

On the positive side, one uncertainty is removed as the prices of iron and steel, which had seen sharp increases during last year, now at least rise at a more stabilised rate, indirectly benefiting the Group's growth performance during the second quarter. In general, the Group's operating conditions during the first half of this financial year is basically an extension of the second half of the previous financial year, with stable developments.

Faced with rapidly-evolving market conditions, the Group will fully utilise its potential competitive advantages, accelerate technical advances and new product introductions, continue to improve production efficiency and control costs, strengthen supply chain and logistics management, and strive to provide high quality and more well-rounded customer services, in order to capture new market share.

Markets Analysis

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2005 is as follows:

Customer Location	**2005** ***(HK$ million)***	2004 *(HK$ million)*	Change
Mainland China (including Hong Kong)	**708**	715	-1.0%
Taiwan	**108**	120	-10.0%
Other overseas countries	**177**	169	+4.7%
	993	1,004	-1.1%

During this period, the Group registered sales turnover of HK$708 million (2004: HK$715 million) in China that was similar to the same period of last year. The slight shortfall was primarily due to fluctuations in international oil prices, which depressed export-oriented customers' demand for injection moulding machines. On the other hand, the strong domestic economic growth in China was benefiting the manufacturers of household electric appliances and electronic products, which to a certain extent was successful in compensating for the shortfall in other industry segments. Looking forward to the second half year, it is anticipated that the market in China will develop at a moderate pace.

Sales turnover in Taiwan was impacted by decreased demand in the domestic industry, which fell 10.0% from last year to HK$108 million (2004: HK$120 million) for the same period. The trend of Taiwanese manufacturers migrating their facilities to China is accelerating, and this trend helps strengthen demand growth in China, while at the same time representing a negative impact on the domestic market in Taiwan. Nevertheless, as the domestic Taiwan industries evolve more towards higher technology production, the stage is set to demand higher performance machinery. Because of this, it is the Group's view that the Taiwan market should be relatively stable in the future.

The Group's international operation achieved continuous growth for the first half of this financial year, but only a modest 4.7% due to unnaturally high and fluctuating oil prices causing customers in many overseas countries to be extremely cautious when purchasing new manufacturing equipment. Total turnover was HK$177 million (2004: HK$169 million). The Group believes that the international operation is already well established and well posed to deliver sustained and high growth in the future, provided that the negative impacts of oil price fluctuations are alleviated.

New Technology and Product Development

The Group has always invested in developing sustainable technical advantages, with the prime directive of creating high added value to augment the Group's product lines. Based on changes in market dynamics and customer requirements, the Group has begun to focus its R&D efforts on three crucial areas: 1) High precision moulding, 2) Low running costs – high speed, energy saving, high yield, 3) Networked management features.

To begin with, quality requirements for plastic products are ever-increasing, and customers are increasingly demanding newer high-precision machinery in order to satisfy new market demands. At the same time, high oil prices (and therefore high plastic resin prices) is creating an unprecedented margin squeeze for the manufacturing sector in general, forcing many customers to seriously consider ways of reducing fixed asset investments by replacing expensive imported machinery from Europe/Japan with more economical alternatives. If the Group can succeed in developing technology that brings high-precision moulding, at a level equal to imported machinery, the Group's products with their affordability will doubtlessly become the optimal choice for many of these demanding customers. Towards this aim, for the past few years the Group has been cooperating closely with world-renowned technology corporations in developing a new generation of all-digital, high-performance, closed-loop hydraulics control technology. Market launch of some of these new technologies is imminent.

In recent years, as customers increasingly focus on reducing production costs, they are demanding energy-saving features (saves on electricity rates), high speed/low cycle time (reduces number of moulds necessary for a production), and high repeatability (high yield, less scrap). The Group has recently achieved a number of breakthroughs in all of these areas; in addition to the Group's industry-leading energy-saving technology, new high-speed and high-repeatability closed-loop technologies are now actively undergoing field trials at customer sites and will be introduced into the market in the near future.

Profit margin pressure is directing most customers to start emphasizing management quality as a core competitiveness criterion. Many medium-to-large sized customers are now focusing on managing the production shop-floor in order to squeeze out the last drop of cost efficiency and reduce wastage in a desperate attempt to maintain competitiveness. The Group has this in mind when developing the iChen™ Networked Shop-Floor Management System. This system is actively assisting customers in enhancing information flow and production efficiency. During this financial year, the Group will continue to enhance the iChen™ platform and build new value-added services, bringing true networkability to the full range of the Group's product lines. These new services include a very popular, new-generation wireless iChen™ network infrastructure offering which greatly reduces customer's initial hardware investment outlays, whereby enabling the deployment of iChen™ networks to sites that were impractical before due to infrastructure constraints.

The Group is also actively enhancing and optimising its current product lines, and has successfully launched a new, redesigned and optimised model of direct hydraulic clamping machines. This very popular new product enables customers to reap the benefits of high-precision moulding while reducing capital expenditure.

Manufacturing Efficiency and Cost Control

As already discussed, the Group will fully utilize its potential competitive advantages, accelerate technical advances and new product introductions, continue to improve production efficiency and control costs, strengthen supply chain and logistics management, and strive to provide high quality and more well-rounded customer services, in order to capture new market share.

The Group's new manufacturing plant in Ningbo, Zhejiang Province has commenced operations during this period. Its commencement increased overall Group capacity as well as reduced the needs for plants in Southern China to ship to Eastern China, thereby reducing transportation costs. The enhanced logistics and supply chain will increase customer confidence, benefiting sales and manufacturing efficiency, as well as other direct cost savings. The Group continues to optimize and enhance its manufacturing technology, which included an upgrade of the existing casting line in Shenzhen that helped improve overall casting quality and machining efficiency, as well as provide direct profit contributions to the Group from enhanced scale economy.

Financial Conditions

As at 30 September 2005, the net assets value of the Group amounted to HK$1,741 million (2004: HK$1,582 million), an increase of HK$159 million as compared with the same date of last year. The net current assets value was HK$764 million (2004: HK$663 million), a rise of HK$101 million from the corresponding date of last year. The net cash and bank balances (net of bank borrowings) were HK$73 million (2004: HK$121 million), a decrease of HK$48 million as compared with the same date of last year.

During the period under review, the Group has made strategic acquisition and investment in production facilities. Nevertheless, it maintains a prudent financial management strategy, and reserves sufficient liquidity and banking facilities to meet the Group's operations commitments and other funding requirements. Details of cash movements for the period were analysed in the Consolidated Cash Flow Statement.

Treasury and Foreign Exchange Management

The Group adopts a conservative and centralised approach all the time in managing its funding. Funds, primarily denominated in Hong Kong and U.S. dollars, are normally placed with banks in short to medium term deposits and other secure treasury investments for higher yield.

For foreign exchange management, the Group always adopts a conservative policy and endeavours to hedge its foreign currency investments with appropriate levels of borrowings in corresponding foreign currencies to reduce foreign exchange exposure. As at 30 September 2005, the Group had total foreign currency borrowings equivalent to HK$57 million (2004: HK$95 million). Forward exchange contracts are used for hedging payments in certain volatile foreign currencies.

Human Resources Development

At 30 September 2005, the Group, excluding its associates, had approximately 3,200 (2004: 3,500) full-time employees. The Group offers good remuneration and welfare packages to its employees and maintains market-competitive pay levels. Employee promotions and pay are rewarded on individual as well as the results performance of the Group. Share options of the Company are granted to selected employees of the Group for rewarding and retaining talents.

The Group conducted regularly programmes, including comprehensive educational and professional training, and social activities counseling, to its employees to enhance staff quality, standards of professional knowledge and teamwork spirit.

Plans for the Second Half

Considering the market trend during the first half, the Group's business activities in the second quarter was a marked improvement over the first quarter. If this positive trend persists and market uncertainties subside (i.e. stable oil prices and no sudden price hikes in the price of steel), the Group believes that the market will resume its buying power, sentiments will lift, and customer confidence will strengthen, all directly enabling the Group's business to deliver gradual performance improvements in the second half.