Interim Dividend

The Board has resolved to declare an interim dividend of HK8 cents (2005: HK5 cents) per ordinary share for the six months ended 30 September 2006 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 29 December 2006. The interim dividend declared will be paid on or about Thursday, 11 January 2007.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 27 December 2006 to Friday, 29 December 2006, 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 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 22 December 2006.

Management's Discussion and Analysis

Financial Performance

The Group registered total turnover during the six months ended 30 September 2006 of HK$1,061 million (2005: HK$993 million), a growth of 7% compared to the same period of last year. Profit attributable to equity holders was HK$163 million (2005: HK$147 million), a growth of 11% over the corresponding period of previous year. Basic earnings per share was HK26.2 cents (2005: HK23.8 cents), an increase of 10% compared to the same period of last year. The Board of Directors had resolved to declare an interim dividend of HK8 cents per share.

Market conditions were generally robust during the first quarter, with solid growth seen in many consumer product segments, in particular for household appliances, toys and electronics. However, crude oil prices started fluctuating wildly around March/April, with peak-to-trough variations from US$80 per barrel to as low as US$58 per barrel, which represented total price variations of more than 30%. High oil price volatility and low visibility regarding future trends impacted confidence in the market. In addition, the China Government implemented a new series of tightening measures geared towards strengthening austerity control, and caused credit tightness for many small-to-medium sized customers, thereby reducing purchasing power in the market. As a result, the Group registered a slight slowdown in turnover growth during the second quarter.

Faced with the adverse market conditions, the Group had its vision years ago to start developing advanced technologies, and these new technologies were progressively being commercialised during this year. The new high-tech product lines were a perfect match for the Group's significant growth in international markets, allowed the Group to penetrate into a number of large, international customers in the China market. Consequently, the Group's high-end product lines performed better than expectations. Although the Group only managed to achieve a high single-digit growth in total turnover, growth in profits reached the target of 11% due to a higher-than-expected proportion of high-end products with better margins.

Market Analysis

Breakdown of turnover, based on the location of customers, for the six months ended 30 September 2006 is as follows:

Customer Location	**2006 *(HK$ million)***	2005 *(HK$ million)*	Change
China (including Hong Kong)	**744**	708	+5%
Taiwan	**108**	108	0%
Other overseas countries	**209**	177	+18%
Total	**1,061**	993	+7%

During the period under review, the Group registered growth of 5% in turnover in the China market (including Hong Kong) to HK$744 million (2005: HK$708 million). Market conditions were generally robust during the first quarter, with record-breaking monthly turnovers, even despite ever-rising crude oil prices. During the second quarter, the China Government strengthened austerity measures, resulting in a tightening of credit for many Chinese banks, reducing the liquidity of small-to-medium sized customers, and consequently weakening market demand for lower-end products.

Throughout the years, the Group has always invested in developing advanced technology, and last year started commercialising new high-end products based on the results of these technologies. The new products successfully helped narrow the Group's technology gap with European and Japanese competitors, as well as enabled the Group to penetrate into the high-end customer segment. New orders from high-end, large customers thus indirectly compensated for the weaknesses in small-to-medium sized customers as well as the low-end product segment. As for the second half of the year, the Group believes that domestic credit will continue to be tight and that small-to-medium sized customers are unlikely to experience significant business growth, but prospects for high-end products remain attractive.

Performance in the Taiwan market remained stable compared with the same period of last year, as forecast, at HK$108 million (2005: HK$108 million). However, turnover in international markets registered a continued growth of 18% to HK$209 million (2005: HK$177 million). The main reasons for this impressive growth were due to the popularity of newly-commercialised high-end products in the European and U.S. markets, as well as the economic growth of a number of developing countries, such as India, Brazil, the Middle East and Eastern Europe. As new high-end products are perfect match for international markets, with significant benefits over competing products, the Group anticipates that they will become the spearhead of a further marketing push to maintain an attractive growth rate internationally in the second half of the year.

New Technology and Product Development

During this year, the Group commercialised a number of high profile and popular new products that were the fruits of years of advanced technology research. In particular, the Ai-01 advanced computer controller was successfully developed by the Group within three years by a team of Japanese engineers within the Group. Using the latest advances in electronic controls technology, this new controller is faster, more full-featured and higher precision than competing products, able to control ultra-high injection speeds up to 500 mm per second. Moreover, the Ai-01 controller comes standard with a set of unique features that provide high level intelligence in a full range of automatic monitoring, inspection and maintenance functionalities. It also seamlessly supports the Group's iChen System™ as well as the latest offering – "iChen Wireless" – wireless shop-floor networking technology. The Ai-01 gained wide-spread popularity almost immediately after its launch, and the Group believes that it can provide the impetus for customers to accelerate replacement of old machines in order to gain the benefits of networked production management.

The introduction of wireless networking technology (iChen Wireless) is a major milestone within the injection moulding machines industry. It helps customers avoid the problematic step of pulling wires throughout their plants, and simplifies significantly the task of large-scale rollout of the iChen System™. Wireless technology is a great enabler that allows even small-to-medium sized customers to reap the benefits of networked shop-floor management systems. A wider penetration of the iChen System™ throughout the industry can help customers lift production efficiency, reduce waste and improve management proficiency, which can easily translate to higher profits in today's world of intense competition, high costs and margin squeezes.

In the area of advanced plastic moulding technology, the Group also launched a series of high-speed/high-precision machines, such as an ultra-high-speed packaging model that can produce two plastic disposal cups with a cycle time of two seconds – world-class levels. In addition, the newly-introduced 3C series and Ai/500 series of high-speed machines have maximum injection speeds reaching 500 mm per second, able to produce the most demanding of thin-walled, ultra-high-precision products (e.g. cell phones, laptop computers). With ever-shrinking margins in plastic products manufacturing during recent years, even customers in high-end market segments are starting to replace expensive imported machines from Europe/Japan with more economical substitutes. These new high-end products therefore allowed the Group to penetrate into the high-end markets and into a number of large, international customers.

Liquidity and Financial Conditions

As at 30 September 2006, the Group maintained cash and bank balances of HK$321 million (2005: HK$250 million), an increase of HK$71 million over the same date of last year. Details of cash movements for the period were analysed in the Condensed Consolidated Cash Flow Statement.

As at 30 September 2006, the Group had bank borrowings of HK$34 million (2005: HK$177 million), which represented a decrease of HK$143 million over the same date of last year. The bank borrowings were mainly short-term bank facilities that were used as working capital by the subsidiaries of the Group.

It is the policy of the Group to adopt a consistent financial management strategy and maintain sufficient liquidity and banking facilities to meet the funding requirement of the Group's investments and operations. As at 30 September 2006, net current assets of the Group were HK$1,002 million (2005: HK$764 million), which represented a 31% increase over the same date of last year.

Treasury and Foreign Exchange Management

The Group adopts a conservative and centralised approach 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 reduce the foreign currency risk exposure on its foreign currency investments with appropriate levels of borrowings in corresponding foreign currencies. Foreign currency risk exposure on volatile foreign currencies is normally covered by forward exchange contracts. As at 30 September 2006, the Group had total foreign currency borrowings equivalent to HK$34 million (2005: HK$57 million).

Human Resources Development

As at 30 September 2006, the Group, excluding its associates, had approximately 3,400 (2005: 3,200) 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 regular 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.

Outlook of the Second Half

International crude oil prices started dropping rapidly in August to a low of US$55 per barrel, with plastic resin prices starting to decline steadily as well. Although low plastic resin prices will inevitably provide a positive impact to the marketplace, the drop came only after the peak season, and benefits to the Group's future turnover remain to be seen.

The China Government also started levying new custom duties to export and contract manufacturing businesses, which may have an adverse impact to certain export-oriented customers. These new taxes, though not yet completely implemented, under the shadow of austerity measures, add further uncertainties to the market in the future.

The Group believes that market conditions in the second half year are still uncertain, with growth in the China market very much depending on Central Government policies and their impacts to customers. International markets should, on the other hand, continue to register healthy growth.