CEO's Report

"Our R&D focus will be on the following three aspects:

1) large tonnage PIMMs;

2) environmental friendly PIMMs; and

3) high speed and high precision PIMMs"

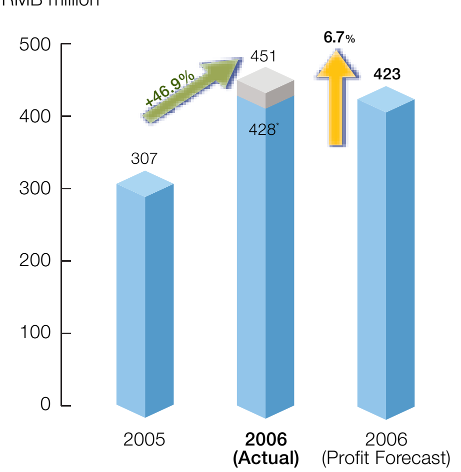
Highlights

	Year ended 31 December 2006 RMB'million	2005 RMB'million	Change %
Sales	**3,175.7**	2,577.6	23.2
Operating profit	**470.1**	354.1	32.8
Profit attributable to equity holders of the Company	**450.9**	306.9	46.9
Profit attributable to equity holders of the Company excluding one-off interest income from over subscription of new issue of shares ("New Issue")	**427.6**	306.9	39.3
Basic earnings per share (expressed in RMB per share)	**0.37**	0.26	42.3

- Successfully listed on the Main Board of Hong Kong Stock Exchange on 22 December 2006 with strong response from the market.
- Outstanding performance in 2006 with sales of RMB3,175.7 million, an increase of 23.2% over 2005.
- Profit attributable to equity holders of the Company excluding one-off interest income from over subscription of New Issue increased to RMB427.6 million, representing an increase of 39.3% over 2005.
- Net margin of profit attributable to equity holders of the Company excluding one-off interest income from over subscription of New Issue increased from 11.9% to 13.5%.
- Solid balance sheet with net cash of RMB1,498.1 million to fund future growth.

The Company's exhibition centre located in Ningbo

Profit Attributable to Equity Holders



* *Excluding the one-off interest income of RMB23 million from over subscription of new issue of shares during our initial public offering period in December 2006.*

The Group had an outstanding year of 2006 with remarkable growth in business and financial performance. The Group's turnover increased 23.2% from approximately RMB2,577.6 million in 2005 to approximately RMB3,175.7 million in 2006. During the year, the Group's profit attributable to the equity holders of the Company reached RMB450.9 million representing an increase of 46.9% compared to 2005 and was 6.7% above the profit forecast as stated in the Company's prospectus dated 11 December 2006 ("Prospectus"). The better than forecast results was mainly resulted from strong market response to our new issue of shares ("New Issue") and we recorded an one-off interest income from over subscription which amounted to RMB23.2 million. After taking out the effect of this one-off item, the Group's profit attributable to the equity holders of the Company will be RMB427.6 million representing an increase of 39.3% compared to 2005 and the net profit margin improved from 11.9% in 2005 to 13.5% in 2006.

Basic earnings per share was RMB0.37 in 2006 (2005: RMB0.26). The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2006.

Market review

In 2006, China continued to experience robust and sustainable growth in its economy with a 10.7% increase in GDP year-on-year. This created an increasing demand for plastic products. According to the China Plastic Machine Industry Association, China's estimated demand for plastic injection moulding machines ("PIMMs") was approximately RMB28.3 billion in 2006, with an estimated growth at a CAGR of 9.9% to approximately RMB41.3 billion in 2010.

In addition to the strong domestic demand for PIMMs, overseas demand has been rising over the past year. The Group has approximately 60% of the market share for medium-to-large tonnage PIMMs in China and is the world's largest producer of PIMMs by production volume. Leveraging on our strong brand, manufacturing capability and economies of scale, the Group will further strengthen its market leading position in the industry.

Financial Review

Sales

In 2006 the market condition continued to improve after adjustment to the austerity measures by Chinese Government and fluctuation of crude oil prices. These have boosted investment confidence and the demand for PIMMs rebounded satisfactorily. We were successful in capturing the improved market condition and demand through our continuous efforts in expansion of both domestic and international markets which contributed to the growth of the Group's revenue. As a result, we reported a revenue of RMB3,175.7 million in 2006, representing an increase of 23.2% compared with 2005. During the year, the sales to domestic and international market increased by 26.2% and 21.8% respectively.

Sales Breakdown

RMB million

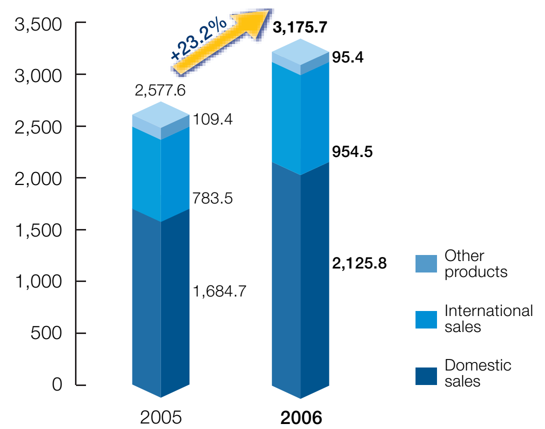


Table 1. Sales Breakdown

	Year ended 31 December 2006 RMB'000	2005 RMB'000	
Plastic Injection Moulding Machines			
Domestic Sales	**2,125,779**	1,684,675	26.2%
International Sales	**954,513**	783,487	21.8%
Others (i)	**95,440**	109,427	-12.8%
	3,175,732	2,577,589	23.2%

(i) Other products include related parts for plastic injection moulding machines and products of the non-plastic injection moulding machines business.

Gross Profit

During the year under review, gross profits reached approximately RMB893.7 million, representing an increase of 26.0% compared with 2005. Benefiting from the relatively stable average iron and steel price and effective cost control, our gross profit margin has improved from 27.5% in 2005 to 28.1% in 2006.

Selling and administrative expenses

The selling and administrative expenses increased by 28.5% from RMB352.3 million in 2005 to RMB452.7 million in 2006 which was in line with our effort in sales development, including an increase of sales incentive and commission to achieve stronger growth of sales and expansion of the Group's business.

Other income

Other income increased by 41.9% from RMB17.8 million in 2005 to RMB25.2 million in 2006 resulted from the increase in government subsidies received.

Other gains/(losses), net

We recorded a net income of RMB3.9 million for other gains/(losses) in 2006 as compared to a net expenses of RMB20.8 million in 2005. This change was primarily due to the decrease in exchange losses during the year.

Finance income/(costs), net

For finance income/(costs), net, we recorded a net income of RMB13.5 million in 2006 as compared to a net expenses of RMB2.5 million in 2005. This change was primarily due to the one-off interest income from over subscription of New Issue which amounted to RMB23.2 million recorded during the year.

Income tax expenses

After the Group Reorganisaton, there was an increase in profit contribution from subsidiaries which enjoyed tax holiday. Consequently, the effective tax rate decreased from 6.3% in 2005 to 4.5% in 2006.

Profit attributable to minority interests

Profit attributable to minority interests decreased from RMB22.4 million in 2005 to RMB10.9 million in 2006 as a result of the substantial decrease in minority shareholdings in the operating subsidiaries of the Group after the Group Reorganisaton.

Profit attributable to shareholders of the Company

As a result of foregoing, the profit attributable to shareholders of the Company increased by 46.9% from RMB306.9 million in 2005 to RMB450.9 million in 2006.

Table 2. Key Financial Ratios

	Year ended 31 December	
	2006	2005
Gross profit margin	**28.1%**	27.5%
Operating profit margin	**14.8%**	13.7%
Net margin of profit attributable to equity holders of the Company	**14.2%**	11.9%
Net margin of profit attributable to equity holders of the Company excluding one-off interest income from oversubscription of New Share	**13.5%**	11.9%

Sales Network

- Covering 24 provinces in China
- Extensive international network covering over 80 countries.

Business Review

Sales Network

The Group has dedicated teams of third-party sales agents/distributors to market our products, provide aftersales and technical support services to its end-user customers both domestically and worldwidely. Currently, the Group sells products to end-user customers in China and over 80 countries worldwide. As at 31 December 2006, the Group's sales network comprised 25 third-party sales agents/distributors in China covering 24 provinces and 12 overseas third-party sales agents/distributors with a sales network covering more than 80 countries in Europe, Middle East, South America, North America, Asia Pacific and Africa. In addition, the Group has 14 service centres throughout China and a service centre in Italy to provide after-sales technical support, product demonstrations, system integration and training to end-user customers.

To further strengthen our sales network and high quality after-sales service coverage, the Group will continue to seek strategic partners to pursue business opportunities in China and overseas.

Research and Development

Recognising the importance of the ability to continuously develop new and advanced products and to meet the changing needs of market demand, we are committed to product innovation and enhancement. With decades-long commitment in R&D activities, the Group is the only plastic machinery producer recognised as one of 103 pioneers for innovative enterprises by the Stated-owned Assets Supervision and Administration Commission of the State Council, All China Federation of Trade Unions

The Company's R&D centre is recognised as a national technology centre and Ministry of Science and Technology of China in 2006. The 103 pioneers for innovative enterprises also include Lenovo (China) Co. Ltd, ZTE Corporation and Huawei Technologies Co. Ltd. etc.

As at 31 December 2006, the Group's research and development team comprises more than 190 engineers and technicians, representing approximately 6% of our total staff. We are also dedicated in technological advancement and have been working with a number of academic institutions in technological research. We have formed a joint venture with Beijing University of Chemical Technology, a leading academic institution in the area of plastic machinery to further strengthen our R&D capabilities including: 1) improvements on the existing products such as the high-speed, high-precision plastic injection moulding machines and two-platen plastic injection moulding machines; 2) research and development of new plastic processing technologies; and 3) provide technical advisory services and technical training to the Group.

In order to capture the opportunity of the growing market demand of three types of PIMMs identified by the Group namely 1) large tonnage PIMMs, 2) environmental friendly PIMMs; and 3) high speed and high precision PIMMs, the Group will continue to maintain strong commitment in R&D focusing on these three areas. The Group successfully developed and launched two series of new products in the last quarter of 2006, namely J5 series, a new generation of energy saving injection machines and HTD series, the full electric injection machines. These new products certainly will be another source of revenue driver in future.


HTD Series


J5 Series

Mission and future Strategies

Currently, the Group is the world's largest producer of PIMMs by production volume. Looking forward, the Group aims to maintain our leading position in China and increase our global market share so as to become the world's largest producer of PIMM in terms of sales by leveraging our competitive strengths and implementing the following strategies:

1. continue to invest in R&D to develop high-margin, high value-added products: the Group plans to develop or acquire a new R&D centre to research and develop more advanced technologies for PIMMs.

2. further increase production capacity and efficiency: the Group plans to construct a new facility in each of Guangzhou and Ningbo, both of which are expected to be completed in 2008 and 2009 respectively.

3. increase market share in China and overseas: the Group intends to establish additional service centres in Xiamen, Shanghai, Chongqing and Chengdu in China, as well as new overseas service centres in countries such as Russia and India and in North Africa.

4. pursue strategic acquisitions and joint ventures overseas: currently the Group is considering different opportunities to acquire overseas PIMM manufacturers with high capability and advanced technologies in all-electric PIMM, strong R&D capabilities, experienced management team and established scale of operation.

Liquidity and Financial Resources

On 22 December 2006, the Company's shares were listed on the Main Board of the Stock Exchange. The Company raised approximately RMB1,492.6 million, net of direct listing expenses from the issue of 399 million new ordinary shares in the Company. The listing enlarged the base of shareholders of the Company and provided additional funds for the Group's future development.

The gearing ratio is defined as net debt (represented by borrowings net of time deposits and bank balances and cash) divided by shareholders' equity. As at 31 December 2006, the Group is in a strong financial position with a net cash position amounting to RMB1,498.1 million. Hence, no gearing ratio is presented.

Charges on Group Assets

As at 31 December 2006, the Group has pledged deposits of RMB27.2 million as collaterals against certain trade finance facilities granted by banks and bank borrowings of RMB84.3 million were secured by the discounted bill receivables.

Foreign Exchange Risk Management

For year 2006, the Group exported approximately 30% of its products to international markets which sales were denominated in U.S. dollars or other foreign currencies, while the Group's purchases denominated in U.S. dollars or other foreign currencies accounted for less than 10% of total purchases. The Group did not utilise any forward contracts or other means to hedge its foreign currency exposure however the management will closely monitor the exchange rate fluctuations to ensure sufficient precautionary measures against any adverse impacts.

Contingent Liabilities

As at 31 December 2006, the Group provided guarantee to banks in connection with facilities granted to the customers amounted to RMB300.6 million (2005: RMB213.5 million).

Employees

As at 31 December 2006, the Group had a total workforce of approximately 3,000 employees, the majority of which was located in China.

The Group offers its staff with competitive remuneration schemes. In addition, discretionary bonuses will be paid to staff based on individual and the Group's performance.

The Group is committed to nurturing a learning culture in the organisation. Total staff costs for 2006 amounted to RMB200.3 million compared against RMB163.9 million in 2005.

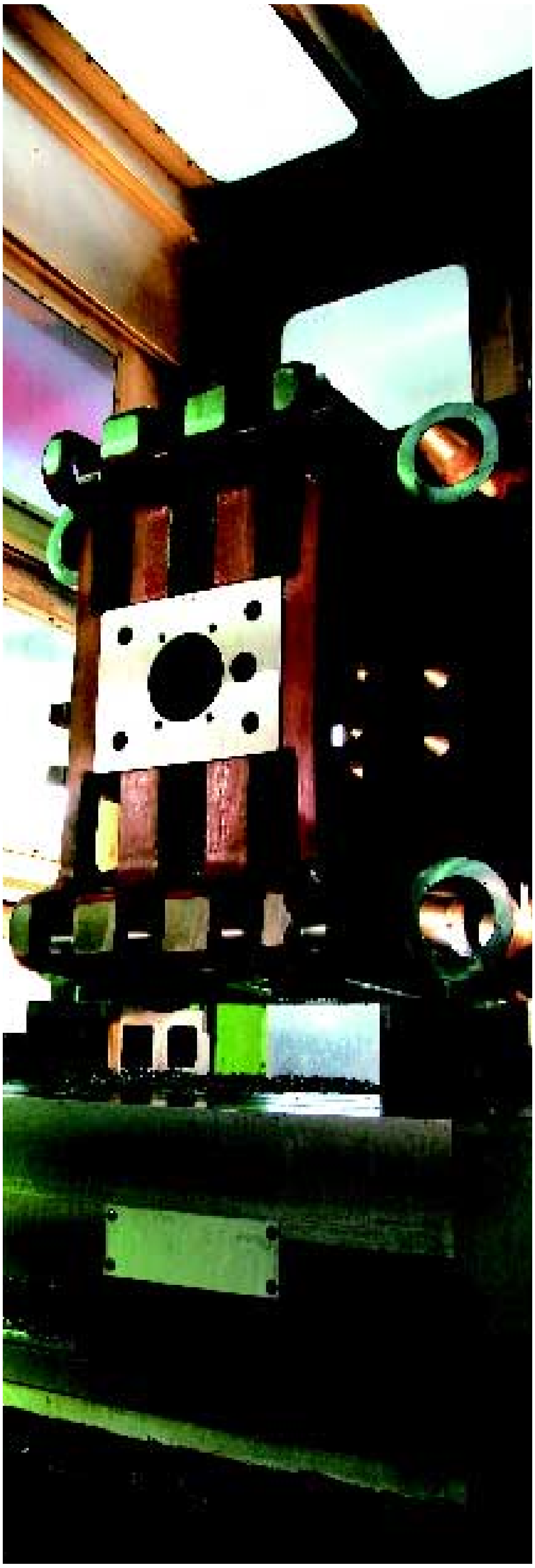
Use of Proceeds

The Company raised approximately RMB1,492.6 million, net of direct listing expenses from the issue of 399 million new ordinary shares in the Company in December 2006.

The proceeds will be applied in the coming years in accordance with the proposed applications set out in the Prospectus as follows:

- approximately HK$625.4 million is expected to be applied for the expansion and upgrade of the Group's production facilities;
- approximately HK$132.0 million is expected to be applied for the enhancement of the Group's research and development activities and facilities;
- approximately HK$47.7 million will be used for establishment of new services centres;
- approximately HK$414.6 million will be used for repayment of bank loans;
- The balance in an amount of not more than 10% of the aggregate net proceeds will be used for working capital and general corporate purposes.

As at 31 December 2006, the unused funds raised of approximately RMB1,264.2 million were placed on short-term deposits with licensed banks in Hong Kong. They will be applied in the coming years for their intended uses.



Zhang Jianming
Chief Executive Officer

20 April 2007

Our **Cost** Management