

| MANAGEMENT DISCUSSION AND ANALYSIS |

BUSINESS REVIEW

Manufacturing Business

Machinery

As market demands gradually recovered and product mixes were strategically adjusted in the second half of 2009, our results were improved obviously with lessened losses, and managed to record profit in the fourth quarter of the year. During the period under review, we recorded a turnover of HK\$585,529,000, a decline of about 13% from approximately HK\$672,670,000 of the same period of last year and accounted for approximately 35% of the Group's consolidated turnover, while the loss in the period was approximately HK\$23,722,000, and the performance was declined by about 154% as compared with the same period of last year.

Against a backdrop of global economic recession and uncertain prospects, production and sale of domestic export business were in downturn in the first half of 2009. An array of massive economic revival programs launched by the Central Government stimulated both liquidity of money-supply and consumption demand, and gradual recovery of domestic economic in the second quarter drove machinery demands. However, as impacted by financial crisis extensions, revitalization in major regions was still feeble, and the export markets only began to have a slight revival in the second half of 2009. Export sales during the period recorded a decrease of 46% as compared with last year, the proportion of export decreased to 15% by 24% from last year. On the whole, general purpose injection moulding machines were still oversupplied in the unordered competition, and their consolidated gross profit margin decreased by about 7% as compared with the same period of last year. In streamlining the structure and executing belt-tightening measures, we also structurally reformed product mixes of injection moulding machine business to speed up the elimination of traditional general purpose injection moulding machines of lower gross profit margin and mobilize resources to servo-driven energy saving products. Meanwhile, an all-round adjustment on the supply deployment at home and abroad was conducted to improve the capacity for contingency of the entire supply chain.

On the product development front, to cater for the trend of environmental and energy saving machinery, key components of Greenline servo-driven energy-saving model that was first launched in 2007 was successfully localized after almost three-year self-independent R&D and optimization, with the enhanced Se-series being promoted in the market. Currently, unique OEM-version components are being jointly developed under strategic partnership agreement with suppliers, so as to coordinate the medium and long-term upgrade planning of products. Ever since the launch at ChinaPlas exhibition in May 2009, the high cost-performance ratio of Se-series injection moulding machine has been widely recognized and well received by customers both at home and abroad. In the second half of 2009, total order value for the series was encouraging that it maintained its momentum of monthly increase to date. By capitalizing on this product series, the consolidated gross profit margin of injection machine is expected to resume to a reasonable level.



CNC Sheet Metal Punching & Precision
Shearing Composite Processing Production Line-
1500mm x 2500mm

| MANAGEMENT DISCUSSION AND ANALYSIS |

Other products including CNC sheet-metal processing machine, rubber injection machine and extrusion line business achieved relatively satisfactory results. The consolidated sales and gross profit margin could hold the line with last year. These are attributable to the continuous optimized design and market segmenting strategy and the policy of massive infrastructure investment adopted in the PRC. During the period, the Group successfully developed the CNC hydraulic turrent punch press that can process large-sized sheet at a time and the advanced full-automatic control technology, and thus succeeded in obtaining orders of CNC sheet metal punching & precision shearing composite processing production line from the world's largest solar water heater producer located in Shandong. The production line consisting LX230BDK CNC Punch Press can dually process 1500mmx2500mm large-sized sheet at a time, and the equipment has been delivered to customers in early 2010. We firmly believe that the benchmarking order conduces to further expanding this new market.

With the rebound in orders in the second half of 2009, our grassroots staff was properly aggrandized in production bases in South China and East China. Moreover, to get in line with the government's urban planning of "relocation to industrial zone", the Dongguan Dongchen factory expansion project was implemented during the period under review. As civil work and factory structure roofing were completed at the end of 2009, the project is intended to be completed for operation at the middle of 2010. The preparation work for construction of the new factory at Wuxi National High-tech Industrial Development Zone is expected to be formally initiated in the first quarter of 2011, and to be completed within the second quarter of 2011 to match up with the revised relocation schedule of the local government. The Group will also make timely adjustment to its production deployment in South China and East China whenever necessary, so as to meet the geographical demand of the domestic market.

Plastic Products and Processing

During the period under review, sales of plastic products and processing business was approximately HK\$356,554,000, representing a decrease of about 9% as compared with the same period of last year and accounted for approximately 21% of the Group's consolidated turnover, while operating profit of the year was approximately HK\$6,748,000, decreased by about 26% from the same period of last year.

Our plastic processing business in Dongguan experienced a tough year and the situation was extremely severe in the first half of the year, resembling the entire export in South China. During the period, orders from many major customers were repeatedly delayed and even cancelled, and the general economic depression forced customers to slash their development of new products. The market took a favorable turn in the second half of 2009 as customers resumed orders and developed new products, and orders rose as compared with the same period of last year. However, the annual turnover still decreased by about 23%. During the year, our cost control and productivity optimization were quite effective, which improved gross profit margin and led to a slight profit contribution to the Group's business for 2009.



Plastic Food Containers

Impacted by the sluggish market during the period under review, the turnover of the plastic injection product business of plastic tableware and food packaging in Zhuhai failed to meet the expected goals as sales to major customers decreased. Nonetheless, benefited by the drop in plastics prices and the effective implementation of optimized cost control, the gross profit margin rose by about 10%, and new products of higher gross profit were launched and new customers secured successively as our market development yielded results. Accordingly, we recorded a satisfactory profit contribution. During the year under review, we had obtained a number of international certifications on product quality, such as ISO9001:2008 and HACCP and the like, which vigorously contributed to our product quality improvement.

| MANAGEMENT DISCUSSION AND ANALYSIS |

The Group's plastic processing plant in Hefei is engaged in the processing of plastic casings and components of household electrical appliances for several domestic renowned household appliance enterprises. During the period under review, both its sales and results recorded reasonable growth as driven by the State's "Home Appliances Subsidy Policy for Rural Areas". In view of the high potential in markets in East China, and that the Group still has enormous room for sales improvement of its plastic processing base in the region, the management have formulated a long-term strategy for its development, which include the plan to purchase land in Hefei for extension of factory premises, and the expansion of production lines to cope with future growth requirement. The injection processing factory processing television shell in Shenyang that had been loss-making for long was closed down during the period under review.



1.25" dia.
Metal Premium Magnifier 5x

For the optic products business, enterprises fully relying on export bore the brunt of the financial crisis and the situation is even worse in the market of gift items. During the year under review, customers sharply cut orders to reduce inventories, of which losses in microscope product orders were the most severe. Fortunately, the Group managed to secure new customers of processing parts during the year, which partly made up for losses in regular customers. But the turnover for the year still decreased by about 31% as compared with the same period of 2008. During the period under review, as production costs were relatively stable, the appreciation of RMB slowed down, in addition to the processing orders of lens with high gross profits margin was added to product mixes, the gross profit margin of the business increased, but total profitability for the year was still unbalanced.

Printed Circuit Board

The printed circuit board business recorded a sales of approximately HK\$477,441,000 in 2009, representing a decrease of about 10% as compared with the same period of 2008, and accounted for approximately 28% of the Group's consolidated turnover, while operating profit for the period was approximately HK\$51,467,000, increased by approximately 88% over last year.

During the year under review, global crisis impinged on all sectors across the world but our orders from customers of this business could still be maintained. Furthermore, owing to positive external factors including markdown of raw materials, relative stability of the RMB exchange rate and wages, coupled with effective internal control measures implemented to tap new resources and economize on expense, and to streamline processes, our overall production costs dropped and operations achieved pleasant annual results.



Aluminum Clad

Trading Business

Industrial Consumables

During the period under review, trading business accounted for a turnover of approximately HK\$271,106,000, representing a decrease of about 22% as compared with the same period of last year and accounted for approximately 16% of the Group's consolidated turnover, while operating profit for the period was approximately HK\$12,031,000, decreasing by approximately 53% from last year.

During the year, the extremely sluggish US and European markets led to shrink of exports trade of China's manufacturing industry, and made South China, the region relying on processing trade and export markets, the worst-hit area, sales of our customers was significantly reduced and thus directly impacted our performance in the region. Fortunately, gaps in certain export declines



AC Servo Motor

were partly offset with domestic demand market support in East China and North China under a relatively stable economic environment. The successful exploration of some domestic demand sectors like 3G communication equipment, coal mining machinery, LED encapsulation equipment, MTR screened automatic door and power distribution box has effectively alleviated the degression of results of our trading business. To address such a difficult economic situation, apart from intensifying efforts in market expansion and new product promotion, we also adopted a prudent retrenchment policy, which has effectively reduced inventory and account receivable balance by 28% and 24% respectively, all with an aim to maintain sufficient cash flow and minimize operational risks. After the ordeal of the financial crisis, salient improvement on the business was made from frontline sales to logistic support, and management of the whole supply chain was optimized, laying a foundation for growth in the coming year.

| MANAGEMENT DISCUSSION AND ANALYSIS |

Other Businesses

Electronic Watt-Hour Meters and Related Businesses

Shenzhen Haoningda Meters Co., Ltd. ("Haoningda"), an associate company of the Group in Shenzhen, was listed on Shenzhen Stock Exchange by issuing A shares in February 2010. Haoningda issued 20 million A shares at the price of RMB36.5 per share, raising total proceeds of approximately RMB687,000,000. Proceeds from the listing will be used to increase the share capital in Nanjing Haoningda Electronic Meters Manufacturing Co., Ltd. so as to implement electronic watt-hour meters and electric automation management system terminal projects and improve the production capacity of the factory. Furthermore, the proceeds will be also applied to construction of a technology R&D centre and establishment of marketing networks. After the A share issue, our shareholding ratio in Haoningda will be diluted from 41.99% to 31.50%, and an estimated book gain of approximately HK\$201,000,000 was recognized for deemed disposal of interests in an associate company by the Company.

BUSINESS PROSPECTS

Looking into 2010, on the machinery front, we believe that the present economic growth momentum can be maintained in the light of an expected stability of domestic political and economic macro-situation and keynote. Besides, the program on adjusting and reviving the equipment manufacture industry launched by the Central Government, and the extended "Vehicle and Home Appliances Subsidy Policy for Rural Areas", all of which have a positive effect on domestic industry production and consumption. In November 2009, the State Council uttered the significant goal of 40% energy-saving and emission reduction by 2020 together with factors including industrial electricity fee markup nationwide, all of which were conducive to the sales of servo energy saving machinery. On the other hand, it is expected that steel and plastic prices will stabilize in the first half of 2010 and that the economic prospect will improve, thus the market requirement for machinery may maintain a favorable momentum. As for prospects in 2010, we will adopt an aggressive strategy for core injection moulding machine business to enlarge market shares by way of focusing on sale and manufacture of servo energy saving Se-series, with an aim to realize over 60% of total product sales proportion. The rubber injection machine and sheet-metal processing machine product line will be dominated by a moderate growth strategy, under which Greenline servo energy saving product mixes (namely RTSe-series rubber injection machines and CMSe-series hydraulic presses) are to be further enriched through the extended application of self-developed Se-series, enabling this to become a new profit driver of the business. For exports business, the strategy of market development and deepening will be continued with servo energy saving machinery as the core product to strive for growth of sales.



DEKUMA DKM - RT2805v Servo-driven Energy Saving Rubber Injection Moulding Machine

Ever since the improvement on the general situation of the domestic equipment industry in the fourth quarter of 2009, the labour market changes accordingly, and labour shortage occurs in the manufacturing industry in all regions. Under the policy of aiding agriculture and benefiting farmers, shortage of front-line staff is expected to linger. As labour costs are estimated to ineluctably rise in the coming year, we will optimize product design and production process, and improve operation efficiency to maintain cost strengths. It is anticipated that we can regain growth in business and contribute to the Group's profit in 2010.

| MANAGEMENT DISCUSSION AND ANALYSIS |

For plastic processing business, the factory in Dongguan is expected to carry on its desirable orders and new product development progress in the fourth quarter of 2009 to advance steadily in 2010. High-gloss injection molded product components and LED table lamps will become our key products. We will be committed to measures including optimizing human resource and cost control, improving operation efficiency and focusing on controlling foreign exchange risks in the next year. As for business of plastic tableware and food packaging in Zhuhai, we will stress on exploration of new customers and products. We are going to broaden our customer base by attending large product exhibitions. On the production front, we will purchase more automatic equipment, manipulators, for instance, and conduct packaging production line automation renovation and other initiatives to improve productivity and product quality. With the combined effect of these conditions, we are to make ideal contributions to the Group's profit in 2010. On the optic product front, apart from increasing product types to enrich product offerings, we will also diversify business model, develop products on our own and even attempt processing accessory production, thereby augment the overall sales. Currently, we are considering on-line directly sale of certain products with brand effects in order to enhance market penetration.



Plastic Tablewares



5" dia.
Multi-angle Magnifier 2x with 4 LEDs

For trading business, the global economy seems to have a sign of recovery but hidden troubles still exist. It is believed that export trade will remain slow in growth. The trading business will lay particular stress on the domestic demand market, and focus on new products and new sectors related to energy saving and environmental protection. Along with the economic recovery of the external environment, the entire operating environment is expected to make distinct improvement by leveraging measures of China's continuous domestic demand stimulation. We are deeply convinced that results in the next year can rebound to the level before financial crisis by virtue of our optimized teams, superb products and quality services.



Radial Hydraulic Motor

For printed circuit board business, production costs including raw materials and wages have rallied again since the end of 2009, and are expected to soar in 2010, making a tougher operating environment. We will not only secure support from our existing customers, but also be dedicated to developing products with higher production effectiveness to attract more customers. Moreover, the Group will continue to upgrade environment friendly equipment to meet increased production needs in the future.



6-layer Immersion Gold PCB

Weathering the global economic crisis in 2009, the Group's operations have advanced and consolidated by ordeals, while its business structure has undergone rational and practical adjustment. In the second half of the year, as the Group's measures yielded results gradually and the staff stuck to their respective posts to overcome challenges, the Group's operations saw recovery step by step. Looking forward, inheriting the indomitable dashing spirit against adversity, and fuelled with the economic recovery momentum, we are confident that we can proactively capture opportunities to strike for continued growth. It is our conviction that the Group is well positioned to achieve brilliant results and maximize profits for shareholders in 2010.

| MANAGEMENT DISCUSSION AND ANALYSIS |

Financial Statistical Highlights

	2009 HK\$'000	2008 HK\$'000
Operating results		
Turnover	1,692,794	1,939,383
Profit from operations	23,980	73,442
Profit before taxation	35,324	63,932
Profit attributable to equity holders of the Company	7,301	45,240
Earning per share – Basic (cents)	1.03	6.37
Earning per share – Diluted (cents)	N/A	N/A
Dividend per share (cents)	–	–
Dividend payout	0%	0%
Financial position at year end		
Total assets	2,198,421	2,274,039
Fixed assets	404,109	384,061
Quick assets	1,025,824	1,048,549
Net current assets	536,965	577,968
Shareholders' funds	991,891	982,821
Net asset value per share (cents)	140	138
Financial statistics		
Current ratio	1.53	1.54
Quick asset ratio	1.02	0.98
Gearing ratio	0.03	0.07
Total debt ratio	0.47	0.50