

BUSINESS REVIEW

During six months ended 30th September, 2000, despite the difficult business environment resulted from extreme competition and increase of production cost, the Group recorded a turnover of approximately HK\$217,794,000, representing a growth of approximately 42.8% over the same period in 1999. The growth was mainly attributed to the expansion of the Group's diversified production capacity. However, the price reduction resulted from keen competition led to a decrease of profit by 30.4% to HK\$7,516,000 from HK\$10,791,000 while the gross profit margin was dropped to 9.9% from 12.9% of the same period in 1999 despite the measures on the control of operation cost had been taken.

During the period under review, the Group spent approximately HK\$18,727,000 on additions to property, plant and equipment to upgrade its factory and production facilities as to increase its productivity and to enhance its product quality. These investments and previous capital investments have strengthened the Group's competence, as well as its market position, and contributed additional revenues to the Group.

The Group had acquired 7% of shareholding of Victory Tech Limited ("VT") with an option of acquisition of its further 8% interest within one year commenced from 21st July, 2000. Currently, VT owns certainly high growth potential websites named "airlodge.com", "cult-ture.com" and "chichungschoice.com". "airlodge.com" is an one-stop on-line travel agent in Hong Kong and the Greater China region, "cult-ture.com" and "chichungschoice.com", are web-based music studio including the sale of musical products through on-line auction. The acquisition was satisfied by issuing 77 million shares for a 7% interest in VT. Should the Group exercise its option, additional 88 million shares will be issued for acquiring further 8% interest in VT.

PROSPECTS

As the business environment in the second half of the year is expected to remain highly competitive and challenging, the Board believes that the Group's business will not be significantly improved in the near future although the enhanced production facilities will continuously contribute to the Group's revenue.

Looking forward, apart from existing core business that the Group aims to integrate its business to become a total solution provider to create high value-added tailored products and services to the customers, the Group will continue to explore any business opportunities to develop technological projects in response to the global trend.

LIQUIDITY AND FINANCIAL RESOURCES

At 30th September, 2000, the Group's shareholders' equity amounted to HK\$319,942,000 while total debts amounted to HK\$3,787,000. The ratio of total debts to shareholders' equity is 1.2% while the current ratio is 3.9. Net cash on hand was approximately HK\$25,343,000. The Board believes that the Group's sound and healthy financial position will enable the Group to discharge its debts, finance its operation and explore other business development opportunities.