

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September, 2000 (1999: Nil).

BUSINESS REVIEW

For the period under review, the Group's consolidated turnover increased by approximately HK\$84 million, or 19.9% , as compared with the corresponding period of 1999. The increase in turnover was mainly attributable to the increase in sales generated from the new telecommunication product line.

Net loss for the period amounting to approximately HK\$15.3 million, compared with net profit of HK\$38.2 million in the corresponding period of 1999. The net loss for the period was the result of decrease in profit margin, as affected by the fluctuation of Euro currency and increase in cost of sales due to shortage of supply in certain components, together with the losses suffered from telecommunication production operations, minimal sales contribution of LCD panel and increase in operation costs and depreciation provision for the additional machinery and equipment in the new Dongguan manufacturing plant.

Electronics Organiser

Personal Digital Assistant ("PDA") series running on Linux operating system, Linux is an open source code platform running on which developers can develop applications, is the new developing product line of the Group. Being pioneer products released in the market so far, the Group has confidence on this PDA series in the future contribution of the Group's performance. This product line is in her final stage of development and testing and a subsidiary, Agenda Computing Inc., has been established in the U.S.A. to market this new product line in the Group's own brand. By this arrangement, profit margin will be higher than the existing Original Design Manufacturing ("ODM") and Original Equipment Manufacturing ("OEM") products. At the same time, the traditional ODM and OEM electronic organiser sales recorded a slightly decrease as compared with the corresponding period of 1999.

LCD Products

Sales of Group's LCD modules, used mainly as display units for mobile phone, shows approximately 12% decrease when compared with the corresponding period of 1999. The decrease was due to slow down in demand of the old models in this product line. The Group has already acquired new machinery and technical know-how to match the changing requirements of the market and holds an optimistic view in maintaining the same level of sales in the second half of the year of this product line.

Except for internal usages, a minimal sales of LCD panel has been recorded in the first half of the year. The Group already acquainted itself with the operation and the method of this new production line in the past few months. Sales personnel have been employed after the reporting period to exploit the potential market of the LCD panel. It is expected that there will have an improvement in sales contribution from the LCD panel by end of this financial year.

Telecommunication Products

Telecommunication Products are a new product line to the Group. It contributed significant amount to the Group's turnover in the first half of the year and expected to have a steady growth in sale contribution in the second half of the year. Although substantial contribution to the Group's turnover, low profit margin due to fluctuation in Euro currency and shortage of components attributed losses to the overall performance of the Group. Products are continuously upgrading and new products are being under research and development in order to improve profit margin and contribution to the Group.

PROSPECTS

In view of the Euro currency fluctuation, shortage of certain electronic components and start up stage of new product lines, the Directors believes that there will not have any significant change in the overall performance of the Group in the second half of the year. However, provided that the new businesses are operated as planned and all unfavorable factors graduated away from the Group, the Group looks forward to the future with optimism.