

LIQUIDITY AND BORROWING

Net current assets of the Group remains stable at around HK\$3.3 million. As at 30 September, 2000, the Group had cash and bank deposits of HK\$11.5 million. During the period, the Group had raised a bank loan and entered into finance leases and hire purchase contracts with an aggregated amount of HK\$61 million, mainly to finance its acquisition of production facilities in the PRC. Accordingly, the Group's gearing ratio (total bank loans and overdraft facilities utilized to shareholders' funds) at 30 September, 2000 is 17.8% (31 March, 2000: 4.8%).

LITIGATION

A U.S. company through its solicitor in Hong Kong served on Kessel Electronics (H.K.) Limited ("Kessel Electronics") , a wholly-owned subsidiary of the Company, a writ of summons on 19 August, 1999 alleging copyright infringement by Kessel Electronics in respect of certain operation system software loaded in certain electronic organiser products of the Group. The Directors draws the Shareholders of the Company and Investors to note 16 to the condensed financial statements for the progress of the litigation.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 30 September, 2000, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations within the meaning of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of director	Type of interest	Number of shares
Mr. Shun Wing Chiu	Other (Note)	211,200,000
Ms. Chan Yuk Lin	Other (Note)	211,200,000

Note: These shares are held by Stangee International Limited, a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of Stangee International Limited is held by the Trustee of The Stangee 1993 Trust, a discretionary trust in which Mr. Shun Wing Chiu and his spouse, Ms. Chan Yuk Lin, are included as beneficiaries.

Mr. Shun Wing Chiu and Ms. Chan Yuk Lin, each has a personal interest in 5,000 deferred shares in Kessel Electronics (H.K.) Limited, a subsidiary of the Company.

Mr. Shun Wing Chiu has a personal interest in 3,100 deferred shares in Kepo Time Limited, a subsidiary of the Company.

Save as disclosed above and other than nominee shares in certain subsidiaries held in trust for the Company by a director, none of the directors or their associates had any interests in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance.

Under the terms of the share option scheme (the "Scheme") which became effective on 2 September, 1997, the Board of Directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

No options under the Scheme were granted or exercised during the period and no options were outstanding as at 30 September, 2000.

Apart from the above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.