

INTERIM DIVIDEND

The Directors have resolved to pay an interim dividend of 3 cents per share (2000: 8 cents) on Tuesday, 30th October, 2001 to the shareholders on the Register of Members on Friday, 26th October, 2001.

The Register of Members will be closed from Monday, 22nd October, 2001 to Friday, 26th October, 2001, both days inclusive, during which period no transfer of shares will be effected. To qualify for the above dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Standard Registrars Limited, 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Friday, 19th October, 2001.

REVIEW OF BUSINESS ACTIVITIES

The Group's turnover and profit from operations decreased by about 35.1% and 59.1% respectively compared to the first half of 2000 mainly due to the disposal of the printed circuit board business by the Group in the second half of 2000. By comparing the results only in respect of the continued operations, the Group's turnover fell by approximately 11.5% mainly due to the slow-down of the global economy while profit from operations increased by 2.8% because of an increase in interest income.

Due to the slow-down of the global economy, the turnover of the OEM Electronic Products Assembly Division declined by 12.0% compared to the first half of 2000 primarily as a result of the weak demand for telecommunication equipment. The Division has taken a conservative approach in making a provision of approximately HK\$16.0 million against inventory obsolescence as a result of possible order cancellations.

The ODM Division continues its product development in the area of ADSL modems and internet appliances. The market for ADSL broadband modems is expanding but at a slower rate than expected and much of the Division's effort has been directed to reduce the cost of the products designed by it to enhance their competitiveness. Initial orders for ADSL modems from ISPs in Hong Kong and the United States were received and the Division is also approaching potential customers in other territories. As to internet appliances, the Division is developing a lower cost substitute for personal computers that provides easy access to the internet.

Property prices in Hong Kong continued to fall in the first half of 2001 and the market remained difficult. In view of such adverse conditions, the Group has made an additional provision of HK\$5 million against the residential development in Kowloon Tong. With regard to the residential development in the Mid-Levels, a loss of about HK\$10 million was booked for units sold due to a decrease in market prices and an increase in interest expenses as a result of slower sales. Both of the above-mentioned residential developments are conducted by the Group's associated companies.

As announced on 1st August, 2001, an indirect wholly-owned subsidiary of the Company is making a recommended voluntary conditional cash offer (the "Offer") for all the shares of Wong's Circuits (Holdings) Ltd, which is 74.25% owned by the Group. As at 5:00p.m. on 13th September, 2001, acceptances in respect of 154,187,000 shares had been received under the Offer and the Offer has therefore become unconditional.

FINANCE

As at 30th June, 2001, the Group's cash deposits exceeded its bank borrowings by about HK\$1.7 billion and the Group did not have any gearing. As at the same date, the Group's total liabilities, excluding minority interests and the proposed dividend, amounted to approximately 46.6% of the Group's total shareholders' funds compared to 61.6% as at 31st December, 2000.

FINANCE *(continued)*

The Directors will decide the way in which the surplus cash should be invested in due course.

The Group's cost of materials and expenditures are mainly in U.S. dollars or Hong Kong dollars while its sales revenues are mainly in U.S. dollars. Expenditures in other currencies are normally hedged by means of forward exchange contracts.

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group since 31st December, 2000.

EMPLOYEES

As at 30th June, 2001, the Group employed approximately 3,000 employees, out of which approximately 1,900 were employed as workers. In addition to the provision of annual bonuses, medical and life insurances, and in-house and external training programs, discretionary bonuses and share options are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECTS

A major customer of the OEM Division plans to transfer the production of mobile phones from the Division to a joint venture corporation in Nanjing in which both the major customer and the Group are partners. This imminent loss of business, together with the slow-down of the global economy, will adversely affect the results of the OEM Division in the second half of 2001. Nevertheless, following the implementation of measures to reduce operating costs, the Directors remain optimistic that the Division will be able to stay profitable for the second half of 2001. In addition, the Directors expect that the above-mentioned joint-venture corporation, which will be engaged principally in the manufacture and sale of mobile phones in the P.R.C., will contribute positively to the Group's results in future. The Division has also acquired three significant customers, who are expected to contribute positively to the performance of the Division.

The ODM Division expects that the market for broadband modems will continue to grow in the coming years and the Division will develop additional models of ADSL modems with further cost reductions and more advanced features. Efforts will also be directed to develop cable modem products. As to internet appliances, the Directors believe that the products under development have attractive market potential for many vertical applications and are looking to work with business partners to provide one-stop solutions to end-users. The Division also plans to establish offices in the PRC to carry out product development so as to reduce cost as well as to market the Division's products in the PRC and to develop customized products which best suit the market in China.

As at 30th June, 2001, the Group held substantial amount of cash and will be able to consider business opportunities when they arise.

On behalf of the Directors, I would like to thank our employees for their loyalty and devotion to the Group. I would also like to thank our customers, suppliers and business partners for their continued confidence in and support for the Group.

WONG CHUNG AH, JOHNNY
Chairman

Hong Kong, 21st September, 2001