

REPORT OF THE BOARD

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September 2001 (2000: HK\$2,820,000).

BUSINESS REVIEW AND PROSPECTS

During the six months ended 30th September 2001, the turnover of the Group amounted to HK\$676,322,000 (2000: HK\$645,773,000), representing an increase of 5% over the same period in 2000. Loss attributable to shareholders amounted to HK\$3,678,000, a decline of 160% over the same period last year (2000: profit attributable to shareholders of HK\$6,129,000).

During the period under review, as the computer market was unable to attain the expected growth due to the slowdown of the global economy, the performance of the motherboard business was affected. The Group will strengthen its strategy of product diversification and market expansion in multi-directions so as to balance and enhance the Group's benefits in the long run. As for the internet infrastructural facilities, the Group has launched a range of products, developed over 10 models of Fast Ethernet and Gigabit Ethernet networking products for worldwide market and provided hardware solution for Fast Ethernet and Gigabit Ethernet application like Video on Demand, Multimedia applications in education sector, Local Area Network, etc. The Board of Directors is confident that such investments would contribute positively to the Group in the near future.

As reflected in the turnover by region for the six months ended 30th September 2001, the Hong Kong SAR and the PRC market recorded a 60% of growth over the corresponding period last year. Therefore, the Directors believe that there is plenty of room for market expansion. The Group also plans to build up a new brand image and establish a nationwide network of distribution agents in China. We will carry out customer training programs from time to time and provide comprehensive after-sale services for our customers.

Looking ahead, the Group will continue to uphold the concept of "innovation, integrity and quality" in our operation and develop more models of motherboards and networking products with value-added and competitive design, as we actively provide quality services for our customers.

In addition, the global economy plunged further as a consequence of the “9.11” tragedy in the U.S.. However, the Directors believe that this may accelerate the structural consolidation of the IT business worldwide and attract more funds into the Asia-Pacific region. The Group will try its best to turn adversity into opportunity and look for new growth areas for our business.

As for the motherboard market, the Group will focus on developing new models with advanced features, such as Pentium 4 embedded with DDR in order to capture more potential markets.

As for internet infrastructural facilities, the Group will focus on developing new models with advanced management capabilities, such as SNMP, RMON, with routing function and Gigabit features, etc. We will also focus on expanding the European market, such as the U.K., Germany, as well as Asian markets like China, South Korea, Japan, etc.

The Directors believe that with our aggressive development strategy firmly on stage, while keeping abreast with the global economic and IT development trend to strengthen our research and development in technology, our management and production capacity and hopefully with our joint effort in exploiting markets for these products with our partners, we will be able to realize our goal of becoming the leading supplier of networking, communication and computer products in the world.

FINANCIAL ANALYSIS

As at 30th September, 2001, the Group had a total of HK\$76,326,000 (2000: HK\$102,405,000) in cash and bank balances. The Group had trade and other receivables of HK\$6,964,000 (2000: HK\$12,028,000). As at 30th September, 2001, total assets of the Group amounted to HK\$166,074,000 while bank borrowings and finance lease obligations were HK\$42,201,000. The Directors believe that the Group has sufficient cashflow to meet all its commitments and operating needs, and we will continue to maintain a healthy financial position.