

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2001.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial results

During the six months ended 30 September 2001, the Group recorded a net loss attributable to shareholders of HK\$38.9 million, as compared to a net profit attributable to shareholders of HK\$25.6 million for the corresponding period in 2000. Turnover was HK\$111.2 million, representing a decrease of 38% as compared to the corresponding period in 2000. Basic loss per share was HK5.18 cents, as compared to earnings per share of HK6.24 cents for the corresponding period in 2000.

Business review and prospects

The Group's business has been difficult during the stagnating worldwide economy. The Group's total turnover has dropped by 38%, as compared to the corresponding period in 2000. Such decrease was mainly due to the decrease in the overall demand for calculators with basic functions and other products, such as radios and game sets. However, the turnover for Euro Converters continued to grow considerably as a result of the full introduction of Euro in January 2002. It is expected that the demand for Euro Converters in the second half year would remain strong. The Group is currently one of the major manufacturers of Euro Converters and will continue to capitalise this opportunity.

Quite a number of customers have shortened their order time during the period. In order to maintain a good relationship with these customers, the Group was committed to delivering the customers' orders on time, even at the short term expense of higher manufacturing and delivery costs.

Given the uncertain economic climate which may affect both the Group and its customers adversely, the management has adopted a prudent approach for the assessment of provisions against inventories and accounts receivable during the period. If there is no indication of economy turnaround, the management considers it appropriate to continue this prudent approach in the second half year. The provision for inventories and the higher manufacturing costs, as explained above, have contributed to the erosion in the gross margin of the Group.

With an aim to improve the overall profitability, the management will spend effort to further improve production efficiency and to develop new products which may generate higher margins.

More important, the management is actively looking for good diversification opportunities. The management has an intention to expand the Group's business to the satellite telecommunication field and is currently in discussion with certain potential partners. The management hopes that the satellite telecommunication business would become one of the principal activities of the Group in coming years.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow and bank facilities granted by its principal bankers in Hong Kong. With an aim to strengthen the Group's liquidity position and reduce future finance costs, two share placements have been made during the period with total net cash proceeds of approximately HK\$60 million generated for the Group. Also, the subscription of new shares by certain employees pursuant to their exercise of share options granted under the Company's share option scheme during the period has generated net cash proceeds of approximately HK\$15 million for the Group. These proceeds have been used to settle the Group's bank borrowings and to finance the Group's working capital.

As at 30 September 2001, the Group had total cash and bank balances (including pledged time deposits) of approximately HK\$24 million (31 March 2001: HK\$17 million). The gearing ratio, calculated as a percentage of total debts to equity, has decreased from 64% to 50%. The management believes that the gearing ratio would further decrease in the second half year.

The management considers the Group's financial position as healthy and believes that the Group has adequate financial resources to meet its cash flow requirements.

Employees and remuneration policies

As at 30 September 2001, the Group had approximately 2,100 full-time employees. The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

The Company has a share option scheme, under which the directors of the Company are authorised to invite any full-time employees of the Group to take up options to subscribe for shares in the Company. As further detailed in the above, during the period, the Company granted share options to certain employees to entitle them to subscribe for a total of 69,225,000 shares in the Company at a price of HK\$0.222 per share. All of these share options have been exercised during the period.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 30 September 2001, the interests of the directors in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

(1) The Company

Name of director	Nature of interest	Number of shares
Mr. Tong Yiu Lun	Corporate (<i>Note</i>)	262,000,000

Note: These shares were held through Great Wonder Investments Limited, a company incorporated in the British Virgin Islands and beneficially owned by Mr. Tong Yiu Lun.

(2) Associated corporations

Name of associated corporations	Name of directors	Nature of interest	Number of non-voting deferred shares
Marine Union Limited	Mr. Tong Yiu Lun	Personal	7,000
	Ms. Wu Pik Ying	Personal	3,000
Century Hope Limited	Mr. Tong Yiu Lun	Personal	1
	Ms. Wu Pik Ying	Personal	1
Cedar Base Electronic Limited	Mr. Tong Yiu Lun	Personal	450,000
	Ms. Wu Pik Ying	Personal	50,000

Save as disclosed above, as at 30 September 2001, none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2001, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests that was required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage
Great Wonder Investments Limited	262,000,000	28.7%

COMPLIANCE WITH CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules during the current period, except that the independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

On behalf of the Board

Tong Yiu Lun

Chairman

27 December 2001