

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30th September, 2001 (2000: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Group has experienced substantial changes during the period under review, the principal activities of the Group extend from the design and manufacture of Electronic Learning Aids ("ELA"), universal remote controls and OEM products to the rapidly growing property investment and development in the PRC through the injections of a property portfolio by Sino-i.com Limited, its controlling shareholder in July 2001. In addition, the Group has also completed its debt restructuring arrangement with its principal banker regarding its manufacturing business. As a result, the Group's manufacturing arm is able to operate with a much smoother financial position.

Consumer Packaged Electronics

This division mainly designs and manufactures ELA. During the period under review, turnover decreased to HK\$61.9 million from HK\$182.9 million recorded in the same period last year. However, there is an operating profit of HK\$51.4 million compares with an operating loss of HK\$10.8 million recorded in the same period last year.

The Group is still facing the major problems arising from the weak Euro, pricing pressure and lack of volume order in European market, which accounts for 27% of our turnover for the period under review. The Group will continue its effort in cultivating the American market and to improve its operating efficiency in order to further diversify its market segment and to enhance the profit margin.

Original Equipment Manufacturer ("OEM")

This division continues to provide a stable source of income for the Group. Turnover increased to HK\$38.3 million from HK\$10.0 million recorded in the same period last year. Operating profit decreased slightly to HK\$3.1 million from HK\$3.5 million recorded in the same period last year. Despite a general economic slowdown in the US and European markets during the period, the management sees no signs of any material adverse impact on the performance and will therefore continue to focus on expanding this division. Our major clients include Sharp, HP and Sanyo.

Telecommunication Products

The market for cordless telephone has been very competitive and was the major cause of the Group's disappointing results in the past few years. This division has been discontinued entirely during the period. As a result, minimal revenue and loss attribution were recorded for the period under review.

Property Development and Investment in the PRC

In July 2001, the controlling shareholder of the Company, Sino-i.com Limited, has injected into the Company its property portfolio with a value of approximately HK\$2.8 billion. The management of the Group believes that the property market in the PRC will provide the Group enormous opportunities due to the huge demand for residential accommodations from Hong Kong people and the residents in cities such as Shenzhen, Guangzhou and Beijing.

The Company's key property development business includes projects in Shenzhen, Guangzhou and Nanjing residential area.

Shenzhen Liu Wan is a development project, having an area of approximately 313,000 sq.m. of land and a planned development area of about 1,240,000 sq.m., and is one of the largest residential development projects in Shenzhen. Shenzhen Liu Wan project will be developed in five phases. The first phase will be the development of 200,000 sq.m., which are undergoing planning and approval procedures. Construction of phase 1 should start within the first half of year 2002 and complete in the year of ended 2003. The project's target buyers are the middle class residents of Hong Kong and the middle upper class residents of Shenzhen.

Extension of closure time at the cross border check points effective 1 December 2001 has marked the increasing cross border traffic between Hong Kong and Shenzhen. The quality of properties in Shenzhen and in its vicinity has been widely recognized by Hong Kong people, and it is expected that more Hong Kong people will purchase properties for their own use and/or investment in the PRC. If the cross-border administration continues to liberalize, the property market in Shenzhen will become more popular.

The Guangzhou residential development project has a land area of approximately 666,000 sq.m. and a construction area of approximately 1,666,000 sq.m. This project is aiming to provide fine quality and adequately priced residential property for the residents of Guangzhou.

Our Nanjing residential development project has an area of approximately 22,902 sq.m., which will be developed into a 61,840 sq.m. housing estate. Construction of project has been started in October 2001. With a rising demand on the property market in Nanjing, the project is expected to have very profitable returns.

In addition, the Company continues its property investment and development in the PRC by further acquisition of a piece of land located in Chongqing with a site area of approximately 14,000 sq.m. in October 2001.

Prospects

The Group has completed its major restructuring exercises as of the date of this report. As a result, a total number of approximately 22.9 billion shares in the Company have been issued in exchange for a property portfolio in the PRC. It

has not only increased the capitalization of the Company, but also strengthened its asset base and enabled the Company to tap into the rapid growth property market in the PRC.

In addition, subsequent to the completion of debt restructuring of our manufacturing subsidiary inherited from the previous shareholder with our principal banker, the heavy financial burden of the Group has been substantially relieved and it enables the Group to operate its manufacturing business much smoother.

The property portfolio injection provides the growth engine for the Group in the next few years while the manufacturing division of the Group will continue to improve its operation efficiency. The management of the Group is optimistic about its future prospects.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of HK\$103.8 million, a decrease of 60% when compare to the same period last year. Such decrease was mainly attributable to the discontinued telecommunication division and the slow down in the ELA division in view of the sluggish economies in the US and Europe. Net profit of HK\$52.2 million compares with a net loss of HK\$32.3 million recorded in the same period last year. Such result was mainly attributable to the written off of HK\$84.6 million trade payables via the completion of a Scheme of Arrangement, with the unsecured creditors of one of the subsidiaries of the Company. No turnover and/or profit contribution was recorded for the Group's property division during the period reviewed.

Gearing ratio is 14.9% at 30 September 2001.

The increase in total bank debt to HK\$334.9 million is due to the increase in bank loan of a newly acquired company. In addition, the convertible loan note amounted to HK\$210 million was issued as at 30 September 2001.

The Group agreed with its principal banker that the bank loans and overdrafts amounting to approximately HK\$121 million is allowed to be repaid by the end of the fifth year.

As at 30 September 2001, fixed assets with the net book value of HK\$110 million were pledged as securities for banking facilities.

The Group's contingent liabilities as at 30 September 2001 were HK\$8.2 million due to discounted bills to bank.

As majority of the Group's transactions are quoted in the US or Hong Kong currencies, the Group's exposure to exchange fluctuation is relative low.

Employees

As at 30 September 2001, the Group employed approximately 1,425 employees, of which 63 were based in Hong Kong, 1,347 were based in the PRC and 15 were based in the overseas. The salaries and allowance of employees for the period ended 30 September 2001 was about HK\$23 million.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30th September, 2001, the interests of the Directors and their associates in the equity or debt securities of the Company or any of its associated corporation (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as required to be recorded in the register maintained pursuant to Section 29 of the SDI Ordinance were as follows:

Name of Director	No. of shares of HK\$0.10 each Corporate Interests
Mr. Yu Pun Hoi	20,239,560,000*

* Mr. Yu Pun Hoi is beneficially interest in these shares through his 52.30 per cent. interest in Victorious Limited, Robina Profits Limited and Ko Tact Limited which are wholly owned subsidiaries of Sino-i.com Limited. Sino-i.com Limited is 52.30 per cent. beneficially owned by Mr. Yu Pun Hoi and his associates.

Save as disclosed above, as at 30th September, 2001, none of the Directors or their associates had or were deemed to have any interest in any equity or debt securities of the Company or any of its associated corporation as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 8th January, 2001, the Company adopted a share option scheme (the "Scheme") under which the Directors may, at their discretion grant to Directors and employees of the Group options to subscribe for the shares in the capital of the Company from time to time within 10 years after the adoption of the Scheme. The maximum number of shares may be granted under the Scheme will not exceed such number of shares as shall represent 10% of the issued share capital of the Company from time to time excluding any shares issued pursuant to the Scheme. As at 30th September, 2001, there were no share options issued under the Scheme which remained outstanding.

Apart from the foregoing, at no time during the period under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company or their respective spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.