

## **INTERIM DIVIDEND**

The Directors has resolved not to declare any interim dividend (2001: Nil). Accordingly, no closure of register of members of the Company is proposed.

## **REVIEW OF RESULTS**

For the six months ended 30th September 2002, the Group recorded a turnover of HK\$55.9 million, representing an increase of 16% as compared to HK\$48.4 million (restated) of the corresponding period in 2001. The net profit of the Group for the period was HK\$5.0 million (2001: HK\$2.7 million). The interim results of the Group are unaudited but have been reviewed by the Audit Committee of the Company.

## **BUSINESS REVIEW AND PROSPECTS**

The electronics business of the Group recorded high year-on-year growth of 49% in the six months ended 30th September 2002. As expected, the electronics business improved its profit margin and started to make positive contribution to the Group's performance in the period. The high year-on-year growth is expected to continue to the second half of the financial year. Several new products are currently under development and mass production of all these products are expected to begin in the next three months.

On the other hand, the snap off blade cutter business underwent an adjustment during the period. Faced with a gloomy economic environment and lackluster consumers, the sale prices were adjusted downward across-the-board for the existing products to stimulate sales. The immediate effect of such an adjustment was a parallel fall in turnover but the sales volume is likely to increase gradually after. New models and features have been added to the product lists and more efforts will be made in identifying potential new customers in the second half. The management is therefore confident that the loss in turnover can be recovered in the near future.

The Group's client base is quite well diversified in term of geographic locations. Since the sales were classified according to the location of immediate clients, there was a higher concentration in the Hong Kong market in the period compared to last year. Most of the goods sold to our Hong Kong clients were in fact re-exported to other countries.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30th September 2002, the current and non-current liabilities of the Group amounted to HK\$56.6 million and HK\$6.3 million. The amount of net current liabilities was narrowed to HK\$14.1 million from HK\$18.7 million in the six months ended 30th September 2002. The gearing ratio, defined as the percentage of total borrowings to shareholders' funds, rose moderately to 49% from 47% in the period.

The management has successfully reached agreements with certain banks to re-arrange all the existing secured short-term credit facilities granted in Mainland China, totaling HK\$21 million, to longer-term loans. The arrangement will be done in phases and is expected to be completed within this financial year. Together with the profits generated from the operations, this will help to improve the Group's financial position significantly in the near future.