

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months ended 30th September, 2002 (2001: HK1 cent).

OVERVIEW

The Group's turnover and profitability for the six months ended 30th September, 2002 were adversely affected by the depressed business climate. The Group recorded a turnover of approximately HK\$351 million, representing a decrease of 16% over the same period last year. The operating loss during the period was approximately HK\$3.5 million compared with loss of HK\$1.6 million over the same period of last year. Loss per share was HK0.61 cent.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period, the Computer Division recorded growth in both turnover and profit despite facing the keen price competition in the market. The improved performance was mainly as a result of our continuing efforts in controlling cost and improving operating efficiency. As the computer market is dynamic and fast changing, the Group has focused on improving the cost structure in order to remain competitive in such challenging market.

The performance of the IT and Network Solutions Division improved, reflecting the effectiveness of our marketing strategies and cost control measures. The Group will continue to improve its operating efficiency and pursue business opportunities from both public and private sector.

As the telecommunication products market has evolved into a mature stage, accompanied by the weak consumer confidence and the intensified competition among local network operators, the prices of our products and services inevitably faced significant pressure. In order to improve the results of our telecommunication stores, the Group continues, apart from pursuing stringent cost control measures, to review the result of each outlet and close those non-profitable ones. At the end of the period this year, the number of the Group's mobile phone retail outlets has been significantly reduced from 51 to 29 compared with the same period last year. The Group currently operates 8 Chevalier Shops and 21 mobile franchise shops in total.

The performance of the Office Equipment Division during the period was below expectation due to the slowdown of market in the region. However, the performance of the Hong Kong operation was encouraging with growth in both sales and profits. The improved performance was mainly driven by the introduction of new product line to the market at competitive prices.

Contribution from the After-Sales Services Division declined compared with the same period last year. In order to improve its competitiveness, the Group will continue its effort in strengthening its technical and maintenance teams in order to provide quality services to customers.

Despite the less-than-expected performance of the Thailand operation compared with the same period of last year, it remained to contribute significantly to the Group's results. The setback in the operating profits was due to the weakness in the sale of cabling and telecommunication system and related services. However, the effect of such decline has been partly overcome by savings derived from cost reduction. Moreover, the profits derived from the sale of notebook computer and related products increased whilst the sale of office equipment remained steady. The Group continues to monitor the operation in Thailand closely in order to capture the advantage of different business cycle arise therefrom.