

INTERIM DIVIDEND

The Directors do not recommend the payment of interim dividend for the six months ended 31 December 2002 (2001: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 31 December 2002, the Group has recorded an unaudited figure of a total turnover of approximately RMB59,248,000, representing a 34% decrease when compared with the corresponding period of 2001. The decrease is due to keen competition of the market, slow progress of the major projects and difficult economic environment in the international arena.

During the period under review, the Company has lowered its pricing in order to remain competitive. Distribution business, which has a profit margin of approximately 3%, has started to contribute to the revenue of the Company. As a result, the gross profit has dropped to approximately RMB20,043,000, a decline of 53% when compared with the figure for the corresponding period of 2001.

The Company's application for listing on the Main Board of the Stock Exchange was approved in January 2003. Its stock was first traded on the Main Board on 29 January 2003 with the stock code 2330. Although the Listing Rules do not require companies to announce quarterly results, the Company will keep on doing so in order to provide the investors with more updated information about its performance. The Company believes that such practice would enhance investor's confidence towards the Company.

Following China's entry into WTO, the market is changing rapidly. Multinational corporations (MNCs) are more aggressive in expanding its market by various localization practices. The Company was aware of the situation in the beginning of the financial year and carried out a nation-wide market survey in August 2002 to study the automation market in China, covering control systems and various automation products. The survey lasted for 4 months. The results of the survey provide the Company with the first-hand information on customers' needs and competitors' activities. It is the ground for the formulation of the Company's strategies in the future.

The total market size of Automation in China is estimated at RMB200 billion in 2002, with 95% market share occupied by foreign companies. No dominant player is identified. The Company believes that there is a high potential for growth for local companies. The Company will keep on adopting a flexible marketing strategy in order to expand its revenue, market share and customer base. The prime concern lies on the long-term development. Through the cooperation with MNCs in various aspects, the Company is expected to benefit in the promotion of its own corporate branding and fast development of sales channels.

The Company has already renewed the distribution contracts with Rockwell of the United States, Invensys of U.K. and Ortronics of United States. The one with Omron of Japan is under negotiation and expected to be concluded by the end of March 2003.