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.

Research & Development is crucial to the further development of the Company. During the period under review, the Company has decided to build its own R&D Centre in Shenzhen. The land occupies a gross area of approximately 8000 square metres for about RMB1.6 million. The Land Use Right lasts for 50 years and the certificate was issued on 24 January 2003. Construction cost is estimated to be RMB120 million. 50% of the cost was paid as deposit to the contractor during the six months ended 31 December 2002. Balance is to be settled by internal funding upon the completion of the building in 2004.

OUTLOOK

Looking into the future, it is expected that OEM and distribution business will play an important role in the Company's overall performance in the next 5 years. The Company will invest more resources in the development of sales channels in order to grasp this opportunity for expansion.

R&D capability is one of the competitive edges of the Company in winning systems integration projects and distribution agreements. The Company will continue investing in R&D, especially in the specialization and diversification of its proprietary products for IAS and BAS.

To conclude, the Company is optimistic about the future of its business. In the IAS segment, opportunities still exist in emerging industries such as urban railway and public utilities. In addition, demand for intelligent buildings and quality housing estates remain strong, creating rooms for expansion for the BAS segment. The newly developed OEM and distribution business showed encouraging results. However, taking into consideration of the difficult economic conditions worldwide, the Company will carry on the cautious approach in its expansion.

FINANCE

Profit attributable to shareholders

For the six months ended 31 December 2002, profit attributable to shareholders reduced by approximately RMB27,100,000 to approximately RMB8,506,000, representing a 76% decrease as compared with the corresponding period in 2001. Such decrease was primarily due to keen competition of the market, slow progress of the major projects and difficult economic environment in the international arena.

Earnings per share for the six months ended 31 December 2002 declined to RMB2.43 cents from RMB10.17 cents for the corresponding period in 2001.

Liquidity and capital resources

As of 31 December 2002 and 31 December 2001, a majority of the Group's debt was denominated in Hong Kong Dollars, unsecured and interest bearing at LIBOR plus 0.5%. Since inception, the Group has not been granted any banking facilities, subsequent to the year-end date of 2002, the Group has been granted two banking facilities amounting to HK$10 million and US$1.5 million with effect from 26 September 2002 and 21 October 2002 respectively. The incomes of the Group were dominated either in Hong Kong Dollar or Renminbi and the Group had adequate recurring cash flow to meet maturing borrowings. The Group adhered to a prudent policy on financial risk management and the management of currency and interest rate exposures. Hence the Group's exposure to fluctuations in the exchange rate was considered to be minimal and there was seldom any need to make use of financial instruments for hedging purposes.

The borrowing maturity profiles of the Group as at 31 December 2002 is analysed as follows:

	At 31 December 2002 (Unaudited) RMB'000
Repayable within one year	4,385
Repayable after 1 year but within 2 years	2,385
Repayable after 2 years but within 5 years	7,155
Over 5 years	4,770
	18,695

As at 31 December 2002, the Group's gearing ratio, expressed as a percentage of total borrowings over total assets was 7% (2001: 10%). The management believes that the gearing ratio is at an acceptable level for the Group and the Group would be able to create sufficient financial resources to discharge its debt.

As at 31 December 2002, a subsidiary was granted banking facilities of approximately HK$10 million and US 1.5 million which were secured by corporate guarantee provided by the Company and time deposits of approximately RMB4.3 million. As at 31 December 2002, the Company had contingent liabilities amounting to approximately RMB12.6 million, due to the provision of such corporate guarantee in respect of banking facilities utilised by that subsidiary.

As at 31 December 2001, the Group has had no charge on their assets nor any contingent liabilities.

Other than those disclosed in the Company's prospectus and listing documents dated 31 January 2001 and 30 December 2002 respectively under the section headed "Business Objectives and Future Prospects" and "Future Plans and Prospects" respectively, there has been no material change in the Group's future plan for material investments and acquisition of material capital assets as at 31 December 2002.

Significant Investment

In September 2001, the Group acquired an effective 18.52% interest in Tongling Huarui Electronic Materials Co. Ltd. ("Tongling"), a sino-foreign joint venture enterprise established in the PRC, as a long-term investment. Tongling is primarily engaged in the production and distribution of (i) epoxide woven glass fabric copper clad laminate (FR-4); and (ii) thin and rigid laminate used in multi-layer printed circuit board (PCB). As of 31 December 2002, Tongling reported an unaudited net tangible asset value of approximately RMB103.76 million (as of 31 December 2001: approximately RMB64.51 million). As no dividend was declared by Tongling for its financial year ended 31 December 2002, no dividend income was received by the Company during the six months under review in respect of the investment in Tongling.

Segmental Information

With the contribution from the OEM and distribution business, the segment of Industrial Automation System (IAS) has recorded a significant increase in turnover by 70 times when compared with the corresponding period of 2001. The profit margin remained at about 34%. The Company believes such business will grow as the sales channels become more mature and more principals join hands with the Company. However, it is expected that the profit margin of this segment will drop to approximately 15% in 2003, similar to that of the international players in the automation industry.

Turnover from Building Automation System (BAS) has declined by 97%, compared with the corresponding period of 2001, due to keen competition and the delay of projects in the period. The fluctuation in turnover of this segment is mainly due to the project basis nature of BAS. The Company expects the situation to be improved in the second half of the financial year when SmartHome and the Company's other proprietary products for BAS are ready to market. In the meantime, the Company is developing the sales channels for distribution.

Employee information

For the six months ended 31 December 2002, the Group has recorded staff costs of approximately RMB3,224,000 representing 10.62% decrease from approximately RMB3,607,000 for the corresponding period in 2001. The number of staff was reduced from 100 employees (as of 31 December 2001) to 79 employees (as of 31 December 2002). The Group encourages slim organisation with high productivity and provides competitive remuneration packages to employees commensurable to market level in the business in which the Group operates their qualifications. Incentive schemes composed of discretionary bonus and other merit payments to reward employees based on performance are also offered. The Group also provides mandatory provident fund, medical benefits and external training programs for all staff.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2002, the interests of the Directors in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of director	Nature of interests	Number of shares held
Dr. SZE Kwan	Corporate	161,700,000*

* These shares are held through Otto Link Technology Limited, which are beneficially owned as to 80% by Dr. Sze Kwan and 20% by Mr. Tung Fai, directors of the Company.

Saved as disclosed above, as at 31 December 2002, none of the Directors or their associates had any interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance.