

6. Reserves

	Share premium	Statutory reserve funds	Capital reserve	Retained profit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2002	7,160	5,309	13,841	108,819	135,129
Profit attributable to shareholders	-	-	-	16,611	16,611
As at 31 March 2003	7,160	5,309	13,841	125,430	151,740
As at 30 June 2001	7,160	5,309	13,841	63,789	90,099
Profit attributable to shareholders	-	-	-	37,452	37,452
As at 31 March 2002	7,160	5,309	13,841	101,241	127,551

DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 31 March 2003 (2002: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 31 March 2003, the Group has recorded a total turnover of approximately RMB106,717,000, representing a marginal decrease of 2% when compared with the same period last year. Net profit recorded for the period under review is approximately RMB16,611,000, representing a decline of 55.6% when compared with the corresponding period last year.

From the beginning of the financial year, the Group has shifted more of its marketing effort to distribution and sales of automation products. Distribution and sales of products has a lower profit margin in average. However, it provides the Group with a steady income despite a lower profit margin.

Results from the distribution of Rockwell's products are encouraging. The Group believes that distribution business is a win-win situation to both the Group and its principals. Other brands that the Group is representing include Omron, Invensys, Greystone and Ortronics. The Group will continue to seek for more cooperation opportunities with renowned companies and to represent more quality products to satisfy local demand.

OEM business is another new source of income to the Group other than distribution of automation products. In order to identify the segment which will give the highest potential, the Group has conducted a field research in Southern China on the market of machine manufacturing. At present, the Group is analyzing the findings and expects to finish the formulation of strategies to further develop this market by the end of the financial year.

The research & development strength and TCS (Tailored Control System) brand remain the competitive edge of the Group in the market. More effort will be dedicated to develop the applications of TCS products in machine manufacturing and building automation. The Group believes that we can leverage on the existing sales and distribution channels to promote the TCS brand and thus raise the profit margin by large. The Group will also develop software embedded chips which are more user-friendly and stable in operation. These new products are now either in design stage or under testing. The Group expects to introduce them to both local and overseas market in the next financial year.