

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.

The Group has adopted a flexible marketing strategy which will adapt to the needs of the changing market. Although the market is highly competitive, the Group feels it will be able to maintain its place in the market.

Finance

For the nine months ended 31 March 2003, the Group has recorded a turnover of approximately RMB106,717,000 representing a 2% decrease as compared to the same period last year. The Group's turnover slightly decreased due to keen competition of the market and a general worsening of the business climate throughout the region, particularly in the Mainland China, in the wake of the crisis over Severe Acute Respiratory Syndrome ("SARS") and the war in Iraq.

For the nine months ended 31 March 2003, profit attributable to shareholders reduced by approximately RMB20,841,000 to approximately RMB16,611,000, representing a 55.6% decrease as compared with the corresponding period in 2002. Such decrease was primarily due to lower profit margin and the expenses related to transferal of the shares listed from GEM to main board during the period, amounting to approximately RMB4,000,000.

Earnings per share for the nine months ended 31 March 2003 declined to RMB4.75 cents from RMB10.70 cents for the corresponding period in 2002.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2003, 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 March 2003, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, save for the interests of the Directors disclosed above, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following shareholders (other than the Directors) were directly or indirectly interested in 10% or more of the Company's issued share capital:

Name	Number of shares hold	Approximate Shareholding
Otto Link Technology Limited ¹	161,700,000	46.20%
Goldwiz Technology Limited	61,824,000	17.66%
Goldwiz Holdings Limited ²	61,824,000	17.66%
Mr. Siu Ting	38,976,000	11.14%