

## **INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003 (2002: HK\$ Nil per share).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Notwithstanding the outbreak of SARS, the tough worldwide market conditions and the increasingly competitive environment, the Group was able to achieve a healthy growth in turnover in the first half of 2003. The consolidated turnover of the Group for the period ended 30 June 2003 was HK\$47 million, representing an increase of 31% as compared to the same period last year. The Group's loss attributable to shareholders decreased significantly by 75%, amounted to HK\$16 million as compared to HK\$67 million recorded in the same period last year.

The Group's significant investments are investments in subsidiaries of which their performance during the period under review and their future prospects have been grouped according to their respective segments and discussed below.

#### *Manufacturing Business*

The Group's manufacturing business unit achieved a respectable growth in sales over the past 6 months. Turnover for the period under review amounted to HK\$46 million, representing an increased of 58% as compared to the same period last year. The main reason for the unit's growth lies mainly in its strive to enhance its production capacity and the new customers acquired during this period. By expanding the unit's production facilities, special attention placed on research and development, and the provision of value added services, including the set up of clean rooms for manufacturing and installation of special product testing equipments, the unit managed to secure more business from its existing pool of customers. And most importantly, it resulted in securing orders from new customers. Customers' confidence was also further enhanced with our ISO 9001 Certifications awarded during this period. The award demonstrated our commitment to "Total Quality Management" in our China factory.

Results from operation of this business unit also showed significant improvement. It recorded a profit of HK\$1.5 million as compared to a loss of HK\$2.6 million recorded in the same period last year. The improvement is largely due to the increased in turnover and a slight improvement in gross profit margin.

**BUSINESS REVIEW** (continued)*Information Technology Business*

The Information Technology Business took on a different strategy in 2003, subsequent to the completion of the 51% acquisition in Chinese 2000 Holdings Limited ("Chinese 2000") on 17 January 2003, this business unit embarked on a collaboration with Culturecom Technology Limited and Transmeta Corporation for the development of existing software application business through exploitation of Linux-based operating system, as announced by the Company on 31 July 2003.

Turnover for the period as compared to the same period last year decreased by 79%, amounted to HK\$1.5 million due to the restructuring of this business unit. Losses incurred from operation narrowed to HK\$7.5 million as compared to HK\$41 million recorded in the same period last year. The decreased is due to the cut down in operation as a result of the restructuring and the goodwill written off of HK\$31 million in 2002.

*Logistics Business*

During the period under review, no turnover was recorded from the Logistics business unit as we are still in a preliminary stage of developing this business. Initial setup and operating costs incurred by this unit were expensed off which amounted to HK\$2.3 million. Included in the loss from operation is an amount of HK\$0.4 million, being the share of losses incurred by the associated company of the Group, Crown eForce Logistics Management Limited ("Crown eForce") for the six months ended 30 June 2003. On 14 March 2003, the Company announced the cooperation between Crown eForce and Shenzhen Shum Yip Logistics Group Holdings Co., Ltd to set up a joint venture company in the PRC for the development of third party logistics businesses in the Mainland China.