

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects *(continued)*

New factory premises and an office building adjacent to the Group's existing production plant were finished in September 2003. To cope with the production of multi-functional watches and household telephones, the Group will invest and set up more telephone and watches production lines in these new factory premises to capture the large market demand.

Number and remuneration of employees

At 30 June 2003, the Group employed approximately 7,200 staff and workers in the operation of its business in Hong Kong and the PRC. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. The Group also participates in retirement benefits schemes for its staff in Hong Kong and the PRC. On 18 September 2001, the Group adopted a share option scheme under which the Board may, at its discretion, grant options to the Group's employees.

DISCLOSURE OF ADDITIONAL INFORMATION

Directors' interests in shares and warrants

At 30 June 2003, the interests of the Directors in the share capital and warrants of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, were as follows:

Ordinary shares of the Company

Name of Director	<i>Notes</i>	Nature of interest	Number of ordinary shares held
Mr. Lam Ping Kei	1	Corporate	702,000,000
Ms. Wong Choi Fung	2	Corporate	378,000,000

DISCLOSURE OF ADDITIONAL INFORMATION**Directors' interests in shares and warrants** *(continued)**Warrants of the Company*

Name of Director	<i>Notes</i>	Nature of interest	Number of ordinary shares held
Mr. Lam Ping Kei	1	Corporate	140,400,000
Ms. Wong Choi Fung	2	Corporate	75,600,000

The interest of other Directors in the share options of the Company are separately disclosed in the paragraph headed "Share Option Scheme" below.

Notes:

1. The 702,000,000 ordinary shares and 140,400,000 warrants of the Company are owned by Super Giant Assets Limited ("Super Giant"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Super Giant is beneficially owned by Mr. Lam Ping Kei.
2. The 378,000,000 ordinary shares and 75,600,000 warrants of the Company are owned by Fastmath Assets Limited ("Fastmath"), a company incorporated in the BVI. The entire issued share capital of Fastmath is beneficially owned by Ms. Wong Choi Fung.

Save as disclosed above, none of the Directors, chief executive or their associates had any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations.

Directors' rights to acquire shares or debentures

Apart from as disclosed under the paragraph headed "Directors' interest in shares and warrants" above and "share option scheme" below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DISCLOSURE OF ADDITIONAL INFORMATION

Share option scheme

The Company operates a share option scheme (the "Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity providing research, development and growth of the Group. The Option Scheme became effective on 18 September 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The following share options were outstanding under the Option Scheme during the Period:

Name or category of participant	Number of share options				At 30 June 2003	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$
	At 1 January 2003	Granted during the period	Exercised during the period	Cancelled during the period				
Directors								
Mr. Law Wai Fai	14,000,000	-	-	-	14,000,000	28 November 2002	18 December 2002 to 17 December 2005	0.348
Ms. Lam Chu Ying	8,000,000	-	-	-	8,000,000	28 November 2002	18 December 2002 to 17 December 2005	0.348
Mr. Yeung Kwong Lun	4,000,000	-	-	-	4,000,000	28 November 2002	18 December 2002 to 17 December 2005	0.348
	<u>26,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,000,000</u>			
Other employees								
In aggregate	21,720,000	-	-	(5,600,000)	16,120,000	28 November 2002	18 December 2002 to 17 December 2005	0.348
	<u>47,720,000</u>	<u>-</u>	<u>-</u>	<u>(5,600,000)</u>	<u>42,120,000</u>			

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

DISCLOSURE OF ADDITIONAL INFORMATION**Substantial shareholders**

As at 30 June 2003, so far as known to any director of the Company, the following persons, other than the directors of the Company whose interests are disclosed above, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company:

Name	Number of shares held	Percentage of the Company's share capital
Super Giant	702,000,000 #	48.75%
Fastmath	378,000,000 #	26.25%

These shareholding are duplicated in the paragraph headed "Directors' interests in shares and warrants" disclosed above.

All the interests disclosed above represent long position in the shares and underlying shares of the Company.

Save as disclosed above, the Company has not been notified of any other persons holding any interests or short positions in shares, underlying shares or debentures of the Company which were required to be disclosed pursuant to the SFO as at 30 June 2003.

Purchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

Code of best practice

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in appendix 14 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, throughout the Period.

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the two independent non-executive directors of the Company.

The interim results of the Group for the Period had not been audited, but had been reviewed by the Audit Committee.

On behalf of the Board
Lam Ping Kei
Chairman

Hong Kong, 26 September 2003