

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK0.5 cent (2002/2003: nil) per share to shareholders whose names appear on the Register of Members of the Company on 10th December, 2003. The interim dividend will be paid on or about 15th December, 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 8th December, 2003 to Wednesday, 10th December, 2003, both days inclusive, during this period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrars in Hong Kong, Secretaries Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 5th December, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover during the six months period ended 30th September, 2003 was HK\$570.0 million, a 10.8% growth as compared with last year's HK\$514.4 million. Profit from operations amounted to HK\$46.2 million during the period, representing an increase of 161% as compared with the corresponding period last year of HK\$17.7 million. The surge in profit from operations was mainly attributable to two factors: increase in sales turnover and improvement in cost effectiveness by efficient cost control.

Electronic Dictionaries

Under the backdrop of the continuous development of economy in the Asian regions, the sales from those regions were still the largest income contributor to the Group. During the period, the Group partnered with a reputable English-learning institution in Beijing to develop a series of electronic dictionaries embedded with English-learning functions. The sales of this series of electronic dictionaries recorded a satisfactory result.

The Group continued to place strong emphasis on research and development ("R&D"). With its outstanding R&D team, professional knowledge and ample industry experience, the Group could keep pace with every opportunity in the market. During the period under review, the Group successfully launched the world's first colour dictionary with real voices. Colourful graphics were added to the dictionary to make the learning process more lively and interesting. Upon the launch, the dictionary was highly received in the market. The superlative R&D capability is always the key competitive strength of the Group, as in the industry competing for the newest design and quickest response to various customers' needs. The Group would focus its efforts on diversifying its product line and enhancing its R&D capability so as to maintain its competitive edge in the development of innovative electronic products in the electronic dictionary market. The attack of Severe Acute Respiratory Syndrome ("SARS") during the first quarter caused negative impact to the SBU, particularly in the Greater China Regions. The market performance was worse than predicted. Moving to the second quarter, the negative impact remarkably reduced.

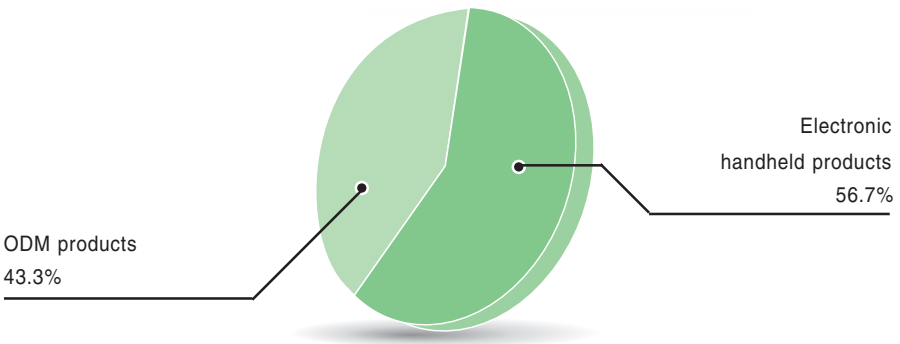
By capitalizing on its extensive experience, the Group's specialized product design and quality control team could design and produce different high quality products that were achieved high recognition in the market. Material content remained at reasonable levels, helping us to maintain satisfactory business margins.

Personal Digital Assistants (“PDA”)

On the PDA front, the Group devoted its efforts to develop a wide range of all-in-one PDAs in the vertical market. During the period, the Group launched V-series PDAs. Their multi-functions, including MP3 playback, a recorder, an organizer, an SD expansion card slot, a built-in SMS system and various kinds of dictionaries made them an ideal system for entertainment and daily application. Such multifunctional PDAs could satisfy users’ need for an excellent performance at a reasonable price.

In September, the Group launched its first self-developed smartphone, G18. G18, operating on a Chinese Palm OS, which integrates the functions of PDA, multimedia and communication, and features a slim form factor with a user-friendly interface, receives high popularity in the market. This has aroused the attention and interest of the telecommunication service providers which in turn is beneficial to the Group to stretch its reach to the European and Asian markets. With a stylish design, G18 was awarded the “Hong Kong Awards for Industry: Consumer Product Design” by the Federation of Hong Kong Industries in 2003. The award is the formal recognition to the achievement made by the Group’s R&D team.

ANALYSIS OF TURNOVER BY PRINCIPAL ACTIVITY



Original Design Manufacturing (“ODM”)

Despite the general slowdown of the economy and the quiet trading in the consumer market, ODM business managed to report an increase in sales. Our encouraging results were attributable to the continuing improvement in operational efficiencies, stringent quality and cost control, and the efforts of our strong R&D team. The Group’s ability to provide multi-solutions for customers remained key in winning orders. The solid customer base, including the customers with prestigious brand names, boosted the growth of ODM business.

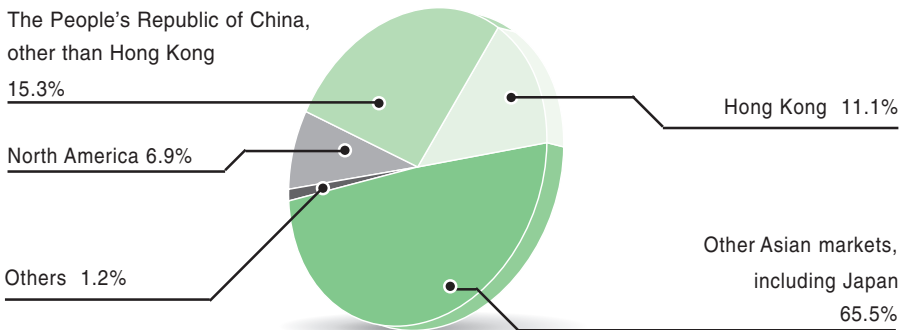
It is becoming apparent that many international enterprises appoint capable ODM contractors overseas to take up new product development from them in the interest of cost and speed. The Group is in an advantageous position to gain a stronghold in this sector because of its abundant experience. By joining forces with some world-class manufacturers of reputable brand names to develop various electronic products, the Group can participate in different projects related to the development of advanced technology and new products. The success of these product developments demonstrates the Group's high-level R&D capabilities and enables us to enjoy a satisfactory return from R&D development.

Outlook

The Closer Economic Partnership Arrangement ("CEPA") with the Mainland is offering numerous new opportunities. It is expected that both the economies of Hong Kong and the Mainland will rebound from the worst situation after the SARS outbreak. We have our product R&D team to grasp this opportunity and thus increase our competitiveness. Improvement will be shown in the US economy whereas the Mainland's economy remains robust and there is an increase in consumer purchasing power. We believe that we can still have a reasonable return from different markets.

The Group is optimistic about the prospects of its business. Great efforts will continue be made by the Group in launching different types of high-technology products, opening up new markets, broadening its sales network, enhancing its services, as well as upgrading its production technology. All such efforts are aimed to strengthen the Group's productivity.

ANALYSIS OF TURNOVER BY GEOGRAPHICAL MARKET



Electronic Dictionaries

As for product development, in view of the ever-increasing demand for high quality language-learning devices in Mainland China, the SBU has been focusing on enriching electronic dictionaries with contents of language learning. It is envisaged that better returns will be attained following the introduction of such series of electronic dictionaries to the market.

In order to increase the product quality, the Group will tighten its quality control while at the same time, it will undertake technological upgrading, including text-to-speech, computation speed and memory. In addition, an ad hoc team is formed to evaluate the product quality and review the database content regularly. By so doing, the Group can produce many novel products and enhance the overall product quality.

Despite the intense competition in the market, the Group is optimistic about the prospects of its business. Besides ongoing placing more resources in R&D, the Group will also expand its sales channels and increase the brand recognition. As a result, its competitiveness will be reinforced and its market share will be enlarged. Meanwhile, the Group will work closely with its strategic partners to enhance the product quality and functions to cater for the needs of the market.

PDA

Looking ahead, the Group will continue to produce a variety of innovative and high quality products. In order to grasp the opportunities, the Group should shorten the development and production cycle of the products. So, the Group will step up its efforts to enhance the overall operating efficiency. Concerning product design, the Group will produce various customized products to answer the diverse needs of different regions and customers. As such, the products become more individual-based and localized. New product development remains the prime objective of the Group, and thus, continuous resources will be placed in this area to increase its competitiveness.

Having been dedicating to develop new products, in the mean time, the Group will also focus on increasing its penetration into the smartphone market in Mainland China and overseas, seeking for several long-term sales partners in different regions, and providing the high quality products for the local telecommunication service providers and world-renowned mobile phone manufacturers. With their well-established sales channels and high brand recognition, the Group can break into a new market. Through the said partnership and cooperation, it is believed that the Group can secure a larger-scale market at a lower cost and risk with no need to invest a huge amount of resources in establishing its own brand in the overseas market. By correct product positioning and shortening the development cycle, a healthy growth will be seen in the smartphone business in spite of the fierce market competition.

ODM

The SBU is enhancing its “one-stop-shop” service model, embracing product proposals, design and development, manufacturing, quality assurance and other services required in the management of its supply chain. This will provide our customers with top quality products, comprehensive customer services and efficient project management, enabling the Group to further expand its revenue base and bring in satisfactory returns.

With a good and well-established customer relationship, together with extensive product development experience, and a sound technology foundation, the Group can maintain the high quality of its products. By so doing, the Group’s sales will further be increased, thereby enhancing its overall production capacity.

The Group will continue to work closely with the major customers in order to optimize its design technology and keep abreast of the latest market trend. Through such close interactive cooperation, customers’ trust and satisfaction can be raised. In addition, it is the intention of the Group to form strategic alliances with the major partners to showcase its competitiveness and to achieve great returns from the solid bond with the customers.

Conclusion

For the most part, the competition is keen and the market environment is still challenging. With the business foundation laid over the years by our diversified products serving different application markets, streamlined process and enabling technologies resulting in a stream of innovative new products, quick responses to the ever-changing market demand, and the high operating efficiency, the Group is well positioned to benefit from the stepwise improved market environment. It is the management’s strong belief that the Group will continue to attain reasonable growth in business performance in 2003/2004. The Board of directors remains optimistic about the business performance of the Group in this year.

Liquidity and financial resources

Bank balances and cash amounted to HK\$239.7 million as at 30th September, 2003, which is HK\$57.7 million or 32% higher than that of six months ago. Total bank borrowings increased from HK\$56.1 million to HK\$63.6 million during the six months period.

The improvement in liquidity is a result of the position cash inflow from operating activities.

Majority of the bank borrowings, around 72% or HK\$46.0 million, are short term borrowings that are to be due within one year. The remaining HK\$17.6 million are long term borrowings that are to be due after one year.

Gearing ratio, defined as total bank borrowings divided by shareholders’ funds, of the Group reduced from 12.5% six months ago to 11.8% as at 30th September, 2003. Interest expenses for the period reduced to HK\$1.0 million from HK\$7.3 million for the corresponding period in 2002.

Acquisition of the entire issued Preferred Shares of a subsidiary

During the period, the Company and a subsidiary (the "Subsidiary") together with the holders of the entire issued convertible and redeemable Series A Preferred Shares of the Subsidiary agreed to purchase all of these Preferred Shares at a total consideration of HK\$35.0 million. As a result, a non-recurring gain of HK\$46.9 million together with the reversal of the accrued redemption premium on the Preferred Shares of HK\$15.0 million made in previous years were recognised.

The Subsidiary would also issue warrants to the holders of the said Preferred Shares enabled them to subscribe for ordinary shares representing up to 10% of the issued capital of the Subsidiary upon exercise.

Charges on assets

Certain assets are pledged as security for general banking facilities granted to the Group. As at 30th September, 2003, the carrying value of the assets pledged is HK\$101.7 million which is HK\$0.9 million lower than that of six months ago.

Contingent liabilities

As at 30th September, 2003, trade bills discounted to banks with recourse and factoring facilities with recourse amounted to HK\$22.4 million and HK\$3.1 million respectively, which are HK\$6.6 million higher and HK\$2.6 million higher than those of six months ago respectively.

Foreign currencies and treasury policy

Most of the Group's business transactions, assets and liabilities are denominated in either Hong Kong Dollars, United States Dollars or China Renminbi. A small portion of the Group's purchases of raw material is denominated in Japanese Yens. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group does not engage in interest rate or foreign currency speculative activities.

Employees

As at 30th September, 2003, the Group has on its payroll 240 (2002: 243) employees in Hong Kong, 4,042 (2002: 3,820) in Mainland China and 79 (2002: 84) in Singapore representing a decrease of about 1.2% and an increase of about 5.8% and a decrease of about 6.0% respectively when compared with prior year. In addition to salary payment and normal fringe benefits such as annual leave, medical insurance and provident fund, the Group also has Share Incentive Plans for executive directors and senior staff.

Appreciation

On behalf of the Board of Directors, I wish to thank our shareholders, customers, suppliers and bankers for their continuing support to the Group and to extend my appreciation to all members of staff for their dedication and contribution throughout the period.