

- (g) Above subsequent events have significant financial impact on net assets value of the Group. The Directors would, after taking into account for the transactions in (a) to (d) and operating results of the Group subsequent to 30th September, 2003, reiterate that the estimated amount of the Group's net assets value is approximately HK\$94 million as of the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Dividends

During the six months ended 30th September, 2003 (the "Period"), the Group recorded a turnover of HK\$133.2 million (2002: HK\$114.7 million) and a loss attributable to shareholders of HK\$20.2 million (2002: HK\$16 million). The basic loss per share for the period was HK\$0.18 (2002: HK\$0.27).

The directors do not recommend the payment of any interim dividend to the shareholders (2002: Nil).

Business Review and Analysis

The unaudited financial results of the Group for the Period reflected a loss of HK\$20.2 million while the figure was a loss of HK\$16 million in the prior same period (the "Prior Period"). The increase in loss was mainly contributed by a sharp decline in gross profit margin in the Group's business of electronic parts.

During the Period, the Group has made efforts in streamlining its business of electronic parts through sub-contracting, which helped increase the Group's turnover by 16.17% to HK\$133.2 million for the Period as compared with the Prior Period. However, the sustained severe conditions in the market squeezed the gross profit margin from 6.4% in the Prior Period to 1.9% for the Period.

During the Period, the Group had successfully controlled the total operating costs by decreasing the total amount by 14.6% from HK\$23.3 million in the Prior Period to HK\$19.9 million for the Period. The Group's finance costs had also decreased by 52% from HK\$2.6 million to HK\$1.25 million for the same corresponding periods.

During the Period, in view of the tough condition of electronic parts business, the Group has taken important steps to expand its principal business into the pharmaceutical, medical and cosmetic fields, especially those opportunities in the PRC. In forming strategic alliance with Guo Kang by its joining the Company as a substantial strategic shareholder, which, the Directors strongly believe, will bring the Company great positive impact on the ongoing development of the Group's business in the pharmaceutical, medical and cosmetic fields.

Liquidity and Financial Resources

As at 30th September, 2003, the total borrowings of the Group amounted to HK\$70.5 million, which comprised of obligations under finance leases of HK\$5.1 million, promissory note payable of HK\$9 million, variable rate bonds of HK\$5.5 million and convertible bonds of HK\$50.9 million. In line with the business expansion goal of the Group, the management of the Company has been making significant efforts in improving the cash position of the Group, and as a result, the cash and cash equivalent substantially increased by HK\$52.6 million during the Period. The Company issued HK\$50 million convertible bonds during the Period, therefore the gearing ratio of the Group as at 30th September, 2003 has increased to 1.70 (which was calculated at total borrowings over shareholder's equity of HK\$41.5 million) while the current ratio has slightly increased from 1.01 to 1.07.

Subsequent to the balance sheet date, however, HK\$30,470,000 convertible bonds were converted into shares of the Company and HK\$5,460,000 outstanding variable rate bonds were fully settled, and as a result, the total borrowings of the Group was significantly reduced to HK\$34.4 million as of the end of November 2003.

Contingent Liabilities

The contingent liabilities of the Group as at 30th September, 2003 was HK\$0.8 million (31st March, 2003: HK\$1.3 million) of bills discounted with recourse.

Charge on Group's assets

As at 30th September, 2003, there was no charge on the Group's assets.

Human Resources

The Group currently employs approximately 1,300 employees.

The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payment which is linked to the performance of the Group and individual performance. The share option schemes have also been established for employees of the Group.

Outlook

It is expected that the competition in the electronic parts industry will remain severe and difficult. Therefore, the management of the Group intends to systematically review and streamline its business in electronic parts.

In order to pursue the Company's long term business expansion goal and enhance shareholder's return, the Company has strategically positioned itself as a facilitating partner and platform for international healthcare companies, products, technologies, services and capital to gain access to the PRC healthcare market through the infrastructure of MOH. Its main areas of focus are healthcare provision, pharmaceuticals, medical and life sciences and cosmetics. The Company will facilitate a variety of healthcare related activities, including procurement of clinical and distribution licenses and partnership arrangements, sourcing of merger and acquisition opportunities and the development of healthcare infrastructure.

Since the balance sheet date, the Company has successfully brought in two new substantial shareholders, Swiss Fund and Guo Kang. Swiss Fund, a Liechtenstein regulated fund beneficially owned by long-term Swiss and European institutional investors with more than CHF 1 billion (equivalent to HK\$5.8 million) assets under management, will enhance the Company's capital raising capabilities in international capital market. Guo Kang is a Hong Kong incorporated company whose equity interest is being held by two individuals in trust of the International Health Cooperation and Exchange Center (衛生部國際交流與合作中心) of the MOH and also the representative office of the MOH in Hong Kong, will bring to the Company enormous strategic value in assisting the Company to secure medical, pharmaceutical and healthcare projects in the PRC. The Directors believe that the Group is ready to take full advantage of the substantial growth opportunities in the PRC's medical, pharmaceutical and healthcare sectors as living standards and health consciousness in the PRC in general continue to rise.

ADDITIONAL INFORMATION REQUIRED BY THE LISTING RULES

Directors' and Chief Executives' Interests in Shares and Share Options

At 30th September, 2003, the interests of the directors and chief executives of the Company and their associates in the shares and shares options of the Company or any of its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows: