

## INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend (2002: Nil). Accordingly, no closure of register of members of the Company is proposed.

## REVIEW OF RESULTS

For the six months ended 30 September 2003 (the "Interim Period"), the Group recorded a turnover of HK\$47.1 million, representing a decrease of 16% as compared to HK\$55.9 million of the corresponding period in 2002. The net profit of the Group for the period was HK\$0.8 million (2002: HK\$5.0 million). The interim results of the Group are unaudited but have been reviewed by the Audit Committee of the Company.

## BUSINESS REVIEW AND PROSPECTS

As expected, the turnover of the snap off blade cutter business rose 5% year-on-year to HK\$23.7 million (2002: HK\$22.6 million) in the Interim Period. The profit margin of the business was, however, still adversely affected by high raw material prices during the period. As a result, the contribution of the business segment to the Group fell to HK\$2.8 million (2002: HK\$4.0 million). The moderate growth of the snap off blade cutter business is expected to continue to the second half of this financial year.

For the electronics business, development process of many OEM items, which required collaboration with our clients, was adversely affected by the outbreak of SARS during the period. As a result, the overall turnover of the electronics business fell 32% year-on-year to HK\$21.8 million (2002: HK\$32.2 million) in the Interim Period despite satisfactory growth in sales of ODM items. In order to improve the performance of the electronics segment, resources have been diverted to develop new ODM items and several items have been successfully launched and marketed. Sales of OEM items are also expected to recover gradually in year 2004. Given that the external environment has become more favourable, the management is cautiously optimistic about the performance of the electronics segment.

The Group's client base is quite well diversified in terms of geographical locations. There was a high concentration in the Hong Kong market since sales were classified according to the location of direct clients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2003, the current and non-current liabilities of the Group amounted to HK\$59.0 million (March 2003: HK\$43.9 million) and HK\$6.3 million (March 2003: HK\$12.1 million) respectively. The increase in the amount of current liabilities was mainly due to the maturing of a HK\$6.0 million secured long-term bank loan and a HK\$10.0 million secured short-term bank loan raised to finance operating and investing activities. The amount of net current liabilities therefore increased to HK\$12.8 million (March 2003: HK\$7.2 million). The gearing ratio, defined as the percentage of total borrowings to shareholders' funds, increased to 61% from 47% over the Interim Period.

The management has already had a plan to replace the above two bank loans by longer-term loans to improve the liquidity of the Group. From the management's point of view, the amount of financial resources available to the Group is adequate.