

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2004: HK\$Nil per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's business is slowly gathering momentum as the global economic climate continues to improve. The Group's turnover was HK\$58 million in the first half of 2004, an increase of HK\$11 million or 23% as compared to the first half of 2003 of HK\$47 million. The Group incurred a net loss of HK\$15 million for the first half of 2004 as compared to a net loss of HK\$16 million in the same period last year.

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

Manufacturing Business

As the Group's core business, the manufacturing unit has maintained a steady growth since the first half of 2004 and recorded an increase of 26% in turnover from HK\$46 million in the first half of 2003 to HK\$58 million in the first half of 2004. The increase was a result of the management's consistent effort in improving quality control and securing new orders from customers. Gross margin was comparable to the same period last year despite the raw materials prices hike during the period under review. Increased competition had also reduced the average selling price. In an effort to maintain the gross margin, management had focused on production rationalization and implemented various cost-reducing measures. However due to extra resources invested for development of new products, the unit recorded an operating loss of HK\$0.6 million in the first half of 2004 as compared to the operating profit of HK\$1.5 million in the same period last year.