



CAPITAL COMMITMENTS

At 30 September 2004, the Group has capital expenditure of about HK\$915,000 in respect of the acquisition of plant and equipment authorised but not contracted for.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded a turnover of approximately HK\$129,364,000 for the six months ended 30 September 2004. It represents an increase of 16.7% or HK\$18,524,000 as compared with the same period last year of HK\$110,840,000. Gross profit margin narrowed from 28.5% achieved in the first six months last year to 24.8% in the current period as a result of severe competition in the industry. However, the Group has successfully curtailed the administrative expenses. With the increased turnover, the Group has achieved a net profit for the period in the amount of approximately HK\$1,548,000 in the period under review. The result represents an increase by more than four times or HK\$1,256,000 over the same period last year.

Clock and Other Office Related Products

The Division's operations comprise the manufacturing of clocks, gifts and premium products, and other office related products on both OEM and ODM basis for customers. The Group is considered as one of the leading players in clock industry by virtue of its more than 20 years of experience in the clock manufacturing and owning the famous German brand name "Wehrle" and own brand name, "KLIK" and "Artex". The Division enjoys competitive cost advantage and efficiency from the Group's vertically integrated manufacturing operations particularly the Electroplating Services Division and the newly established wood work factory in Gaoming, Foshan City, the PRC.

During the period under review, the Division has repositioned its marketing strategy to expand its sales force into the retail market, the effort proved to be rewarding. For the six months ended 30 September 2004, the Division achieved a turnover of HK\$84.5 million as compared with HK\$72.4 million for the same period last year. This represents an increase of HK\$12.1 million. In particular, OEM sales increased by approximately HK\$1.5 million; Brand products sales increased by HK\$7.3 million and the other office related products sales also grew by HK\$3.3 million.