



MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATION

The current year is revival and promising year for the Group. Improved commercial environment has brought favourable results for and positive bearing on the performance of the Group. For the year ended 30 September 2004, the Group recorded a consolidated turnover of HK\$899,173,000, a double-digit of 30.1% revenue growth from a year ago. Pretax profit for the year was HK\$43,651,000, compared to HK\$21,937,000 a year ago, representing a substantial increase of 99.0%. The gross profit margin remained at about 12.5% but net profit for the year experienced a significant jump to HK\$35,076,000 from HK\$17,303,000 a year ago.

The Group's results for the year added highlights to the Group's leading position in the industry. It remained to be one of the largest manufacturers of electronic calculators and liquid crystal displays ("LCD") in Mainland China. Sales of electronic calculators and LCD rose 18.3% and 71.5% respectively. These two business categories contributed 59.5% and 9.9% respectively of the Group's turnover for the year. The sales rise is due to the Group's expansion on LCD production capacity, growing applications and demand for electronic calculators and LCD, and also the aggressive efforts by the marketing and research and development teams. The addition of new STN-LCD production lines continued to support the increasing demand of LCDs for the year. The Group has introduced new products such as corded telephones and multi-functional calculators etc. and was also successful in obtaining higher penetration in areas like Dubai, Russia, Japan, Chili and Brazil.

During the year under review, the Group has also stepped into other market segments by trading computer components and accessories, such as Random Access Memory (RAM) and providing total solution services. This business contributed to 3.9% of the total turnover of the Group and was able to generate stable profit. Branch offices, which were set up in Shenzhen and Xiamen of Mainland China, have enhanced the Group's sales and distribution network and have captured certain market share within the region. The new business has succeeded in building our own portable Moving Picture Experts Group or MPEG4 player solution and design in several major customers by cooperating with some integrated circuit ("IC") suppliers and design houses.

Finance costs went down significantly by 56.6% to HK\$2,761,000 as the Group had fully repaid all the bank loans during the year, which has revealed the strong liquidity and financial position of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

Account receivables also dropped by 16.5% with improved turnover days, on a gross basis, shortened to 81 days on average. Effective control measures have continued to monitor the debtor's repayment time.

Improvements were also seen in the inventory level with turnover days, on a gross basis, lowered to 124 days. Overall inventory balance lowered by 8.1% when compared to last year as the Group has tried its efforts to maintain inventory at a reasonable level.

LIQUIDITY AND FINANCIAL RESOURCES

The Group normally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in both Hong Kong and Mainland China. At 30 September 2004, the total shareholders' equity of the Group was approximately HK\$884,773,000, an increase of 2.9% over last year. The Group's cash and bank balances stood at HK\$182,507,000. The Group's bank loans have been fully repaid and trust receipt loans lowered to HK\$11,610,000 this year. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and long term liabilities by shareholders' equity, has been lowered from 25.6% last year to 20.7% at 30 September 2004. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

CAPITAL STRUCTURE

No repurchases of shares were made during the year.

During the year, 6,000,000 share options lapsed automatically as the grantee of these share options has ceased to be an eligible employee in the Group. Save for the above, no share options were granted, exercised, cancelled, or lapsed under the share option schemes of the Company during the year.

PLEDGE OF ASSETS

The Group's investment property, certain leasehold land and buildings of the Group and time deposits of HK\$3,087,000 of the Group, together with the corporate guarantees given by the Company are used to secure banking facilities for the Group. At 30 September 2004, such facilities were utilised to the extent of approximately HK\$11,610,000.



MANAGEMENT DISCUSSION AND ANALYSIS

APPLICATION OF PROCEEDS OF SHARE OFFER

The remaining balance of about HK\$137.3 million of the net proceeds raised from the share offer in 1999 has been allocated to the investment in the joint venture, Taiwan Communication (Fujian) Company Ltd. As progress of the projects as implemented by Taiwan Communication (Fujian) Company Ltd. proceeded at a slower pace than anticipated, the Directors are considering to allocate part of such proceeds to other investment opportunities. If any specific targets are identified, the Directors will make announcement in accordance with the applicable rules.

EMPLOYEES AND REMUNERATION POLICIES

The Group has approximately 19,000 full time management, administrative, technical and production staff in Mainland China and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefits include options granted or to be granted under the share option scheme.

FOREIGN EXCHANGE AND CURRENCY RISKS

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary because the exposure to exchange rate fluctuations is minimal.

CONTINGENT LIABILITIES

At 30 September 2004, the Company had contingent liabilities in relation to corporate guarantees executed by the Company in favour of banks for general banking facilities granted to subsidiaries of the Company amounting to HK\$111,000,000.



MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

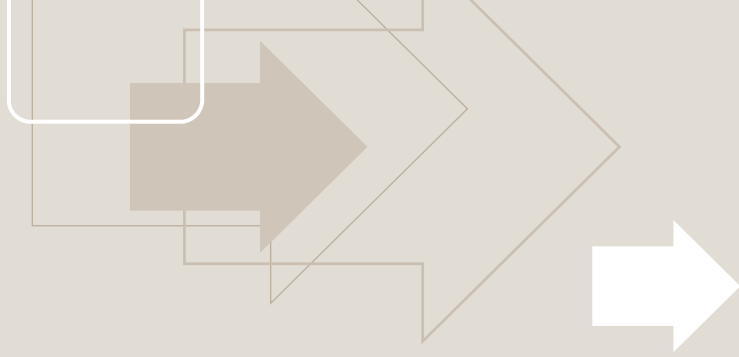
PROSPECTS

The year was challenging for the Group who succeeded in turning in a strong performance by consolidating its industry leadership and customer base. The Group has returned to its fast track of sales growth and was proved by the significant revenue growth. The management believes that the Group in the coming year will even have a better business boost as our sales order books have gone as far to April 2005.

New product research and development will be continued in order to keep abreast of consumer needs and market trends. Backed up by remarkable performance and expertise in the electronics industry, the Group is full of confidence to achieve a favourable sales surge in the coming year, predominantly in the market leading core operations, namely the manufacture and sale of electronic calculators and components. We are developing new products like Digital Enhanced Cordless Telecommunications (Dect) phones, which are now commonly used in domestic and corporate environments, Radio Control Clocks, particularly popular in USA, Germany and Japan, and MP3 players. We anticipate that all these products will appear in the market soon.

Apart from the well-established core businesses, the Group will actively extend its business development to the computer parts and components market by linking with IC suppliers to build its total solutions. The management has an aggressive look on the prospect of this business that forecasts an upward sales performance. Coping with the expansion and with an aim on exploiting the target markets, namely consumer market, premium products and toys market, personal computer and mobile phones markets and all LCD related market segments, sales forces in Mainland China will be accordingly enlarged for the present branch offices and the coming new branch office to be set up in Shanghai of Mainland China.

Subsequent to year end, the Group spreaded to Chengguan and Shanghang in Fujian Province where two new production plants have been built for the production of electronic calculators and quartz crystals, respectively. Having possessed a dominant position in major cities in Mainland China, the Group has also considered to further expanding its facilities inland with abundant labour force to sustain and support future growth.



MANAGEMENT DISCUSSION AND ANALYSIS

We believe that with our existing titanic production base and a further investment in expanding our manufacturing capabilities to keep pace with the expected demand growth is critical to sustaining our leadership advantage. Supported by wide spread of distribution network, the Group can attain another level of corporate development in the year ahead. Given the healthy financial position of the Group, we are optimistic about the business prospects and the long-term future of the Group.

Wong King Ching, Helen
Chairman

Hong Kong
24 January 2005