INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: HK$Nil per share).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover for the period was increased to HK$67 million and represented an increase of 15% as compared to the corresponding period last year. The Group incurred a net loss of HK$9 million for the first half of 2005 as compared to a net loss of HK$15 million in the same period last year. The share of losses of an associate was decreased to HK$2 million or a decrease of 58 % as compared to the same period last year.

The manufacturing business remains as the Group's core business. Sales to Europe, Australia and South America was increased by HK$6 million and accounted for 70% of the increase in turnover. As a result of production rationalization, the gross margin was maintained at 22% despite the increase in prices of plastic as well as other key raw materials.

The Group's associated company, Chinese 2 Linux (Holdings) Limited ("C2L") continues to incur losses for the 6 months ended 30 June 2005. The Group's share of its losses for the 6 months ended 30 June 2005 amounted to HK$2 million as compared to HK$5 million in the same period last year. The directors are aware of the impact of the losses incurred by C2L on the Group's carrying value of C2L of HK$14 million at 30 June 2005. The directors will continue to monitor the performance of C2L and will make necessary adjustments upon being able to quantify any impairment loss on the value in the accounts of the Group for the year ending 31 December 2005.

Outlook

In view of the rises in material and labor costs in the Guangdong Province, the management retains a conservative view to the Group's performance in the second half of 2005 and will continue to pursue a policy of cost containment and product rationalization.

Liquidity and Financial Resources

At 30 June 2005, the Group recorded a net current liability of HK$58,127,000 (31 December 2004: HK$52,128,000) and a current ratio of 0.36 (31 December 2004: 0.38). Cash and bank balances at 30 June 2005 were HK$1,859,000 (31 December 2004: HK$1,650,000).

Borrowings at 30 June 2005 were all due within one year amounted to HK$22,862,000 (31 December 2004: HK$22,471,000). Secured borrowings amounted to HK$8,113,000 (31 December 2004: HK$8,585,000) were secured by legal charge on certain leasehold land and buildings of the Group situated in the PRC with carrying value of approximately HK$17.3 million (31 December 2004: HK$17.3 million). No other assets of the Group were pledged to secure borrowings outstanding at 30 June 2005.

The total facilities available to the Group from its financial institutions amounted to HK$30 million (31 December 2004: HK$30 million). The management believes the Group has adequate financial resources for its business requirement.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's borrowings and cash and cash equivalents were primarily denominated in Hong Kong dollars, Renminbi and US dollars. The Group does not hedged against foreign exchange risk, as the managements do not expect any exchange rate fluctuation to have significant impact on the Group.

The interest rates profile of the Group's borrowings comprises a mixture of fixed and floating rates. The Group does not hedged against interest rates risk as the managements do not expect the impact of any fluctuation in interest rates to be material to the Group.

Material Contingent Liabilities

a) At 30 June 2005, the Group had provided a guarantee on a joint and several basis with a third party in respect of payment obligations of service fees payable by an associated company of approximately HK$11.8 million (31 December 2004: HK$11.8 million).

b) At 30 June 2005, the Company had provided corporate guarantee to the extent of HK$10 million (31 December 2004: HK$10 million) for banking facilities granted to a subsidiary, which were utilised to the extent of HK$1.92 million (31 December 2004: HK$1.64 million).

Employees and Remuneration Policies

At 30 June 2005, the Group employed approximately 39 (31 December 2004: 39) staff in Hong Kong and had approximately 1,400 (31 December 2004: 1,214) employees in Mainland China.

The managements review its remuneration policy regularly and reward staffs through fair remuneration packages and other fringe benefits, which includes a contributory provident fund and medical insurance plans. In addition, the Group may also grant discretionary bonus to eligible staff based on the Group's performance and individual merits.

The Company also granted share options to certain employees of the Group on 10 July 2000, entitling them to subscribe for shares of the Company. However, with effect from 1 September 2001, the Company no longer can grant any options under the existing scheme unless the Company changes the terms of the scheme to comply with the requirements of Chapter 17 of the Listing Rules.