MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATION

The year was a challenging year for the group. For the year ended 30 September 2005, the Group recorded a consolidated turnover of HK$956,134,000, representing a 6.3% increase comparing with last year. Pretax profit for the year was HK$34,624,000. Price competition and rise in materials cost tightened our gross margin to 10.5%, compared with the previous 12.4%, resulting a decrease in net profit for the year to HK$27,665,000 from HK$35,076,000 a year ago.

The Group recorded significant growth in turnover for both our liquid crystal displays ("LCD") and electronic watches and clocks businesses. Sales of LCD achieved HK$123,754,000, rose 39.4%. Revenue from electronic watches and clocks recorded an increase of 37.2% to HK$127,690,000. These two business categories contributed 12.9% and 13.4% of the Group's turnover for the year respectively. Electronic calculators business amounted to HK$510,970,000 of sales. It accounted for 53.4% of the Group's turnover and remained to be the largest business segment of the Group. Launching of new products like large-sized LCD clocks and new models of electronic watches received positive results from the market. As market demand for LCD and consumer electronic products in Mainland China is booming, we have strengthened our sales and distribution network by expanding our branch offices in this region. With the aggressive sales and marketing team, we are confident in maintaining the market leading position in these business segments.

Sales of telephone products amounted to HK$42,117,000, representing 4.4% of the Group's turnover. The launching of new products such as multifunctional corded telephones got favourable response from the market. The Group expected these products are able to generate stable income in the years to come.

Trading of computer parts and components recorded an increase in sales of 15.6%. The business contributed 4.2% of the total turnover of the Group and was still under expansion. The Group has strengthened the effort to handle the overseas LCD and LCD Module ("LCM") market. During the year, the Group has started selling other products like TFT LCD, main decoder chipset and driving board in kit form. The Group believes that there was huge potential for growth in this business segment in the future.

Finance costs went down significantly by 98.7% to HK$36,000 as the Group had repaid most of the bank loans from last year end, which has revealed the strong liquidity and financial position of the Group.

The Group is also pursuing tighter management on our accounts receivables through periodic review of the credit terms of our customers. We have continued to monitor the debtors' repayment time and efforts were made in recovering of certain long outstanding debts.

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 2005, the total shareholders' equity of the Group was approximately HK$910,916,000, an increase of 3.0% over last year. The Group's cash and bank balances and time deposits stood at HK$170,994,000. The Group's bank loans have been fully repaid and trust receipt loans was HK$13,288,000 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, was 23.3%. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL STRUCTURE

No repurchases of shares were made and no share options were exercised, granted, cancelled or lapsed during the year.

PLEDGE OF ASSETS

The Group's investment property, certain leasehold land and buildings of the Group and time deposits of HK$15,555,000 of the Group, together with the corporate guarantees given by the Company are used to secure banking facilities for the Group. At 30 September 2005, such facilities were utilised to the extent of approximately HK$13,288,000.

APPLICATIONS 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 nearly 20,000 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 benefit includes share 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 and the exposure to exchange rate fluctuations is minimal.

CONTINGENT LIABILITIES

At 30 September 2005, 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$151,000,000.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

PROSPECTS

The Group is seeing a satisfactory start to the new financial year with order books currently ahead of the same period last year.

We believe that there are still many opportunities for growth and development that can be leveraged from new markets and new products. The capital investment in Chip on Glass (COG) technology together with the sophisticated development of high-density LCD panels would further enrich our range of products. The continuous upgrading of STN-LCD production lines would enlarge and improve the production scale in order to cope with the increasing demand in LCD products.

New developments on corded and cordless telephones, Radio Control Clocks and other digital products, for example, Digital Language Learning Machine will start extensively once the installation of sophisticated equipments is ready. The Group will continue its investments in research and development in order to maintain our competitive edge in the market.

The Group will also strengthen the sales and engineering teams in Shenzhen to support the local Original Equipment Manufacturing (OEM) customers and further develop overseas LCD and LCM markets, especially in Japan, as backed up by our strong LCD production base. We also aim to commence the large sized TFT LCD business with some local customers in Mainland China for Personal Computer monitors and Industrial Control System.

We will continue to reduce our production and operating costs by streamlining the production process, tightening cost control measures and improving operational efficiency.

The Group has made capital investment to expand our manufacturing capacity. A new production plant was set up in Henan, Mainland China for the production of consumer electronic products. The factory has over 2,000 workers and has started operation subsequent to the year end. Having possessed a dominant position in major cities in Mainland China, the Group's endeavour to move inland will certainly enjoy the benefit of low cost and abundant labor force. The Group will continue to expand its facilities in Mainland China to support its business growth in the future.

With the growth in demand of electronic products, we expect the Group will achieve growth in revenue and profit in the year ahead. Strong sales and distribution network, diversification of products and healthy financial position will sustain and enhance our business growth and development. We continue to look into the future with optimism and confidence.

Wong King Ching, Helen
Chairman

Hong Kong
20 January 2006