MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

- Turnover decreased by 9% to US$102 million from last year of US$113 million; and
- Profit attributable to shareholders declined slightly by 5.6% over the previous financial year to US$5.6 million.

BUSINESS REVIEW

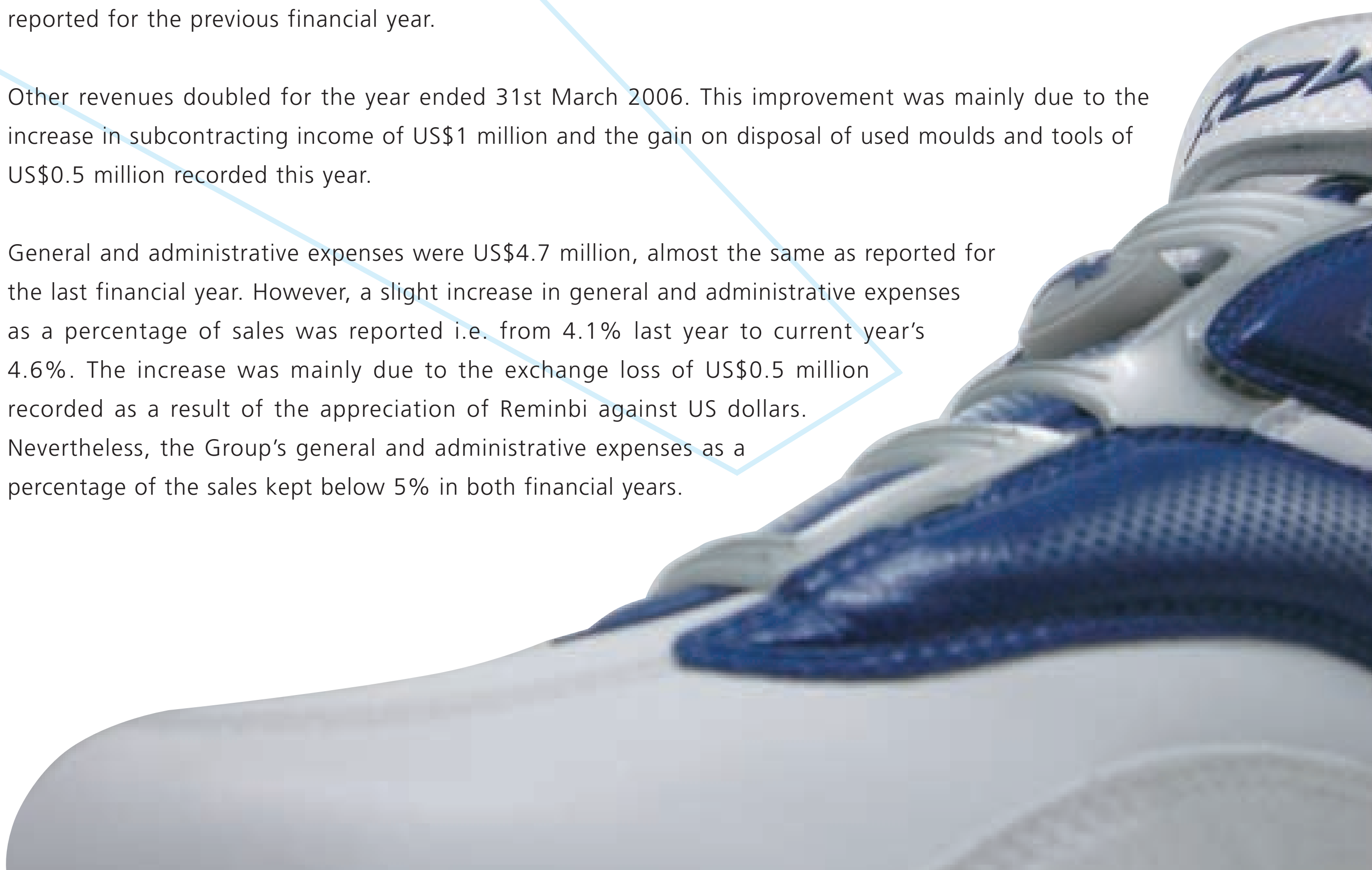
As mentioned in the Group's 2005 interim report, we anticipated a softening of order demand in the second half of financial year 2005/2006. Turnover decreased by 20% for the second half year as compared to the same period last year and resulted in an overall decrease in annual turnover by 9% to US$102 million from last year's US$113 million. Geographically, sales to North America still accounted for the largest portion i.e. 60% of the total sales, and as for the other markets, the sales remained comparatively steady.

Last year was a difficult year with rising production costs. The raising of minimum wage in Mainland China, higher material prices resulting from high oil prices throughout the financial year and the appreciation of Reminbi against US dollar were factors which magnified the cost pressures on the Group.

To strengthen our competitive edge, we continued to improve the Group's operating efficiency. The benefits gained from the implementation of lean operation system greatly improved the Group's production efficiency. It also rationalised the overall materials and components usage and enabled us to have better and effective expense control in the operating facilities. We did well in countering the negative effects of lower turnover and higher operating expenses and the Group's gross margin remained firm at 7.7%, approximately the same as reported for the previous financial year.

Other revenues doubled for the year ended 31st March 2006. This improvement was mainly due to the increase in subcontracting income of US$1 million and the gain on disposal of used moulds and tools of US$0.5 million recorded this year.

General and administrative expenses were US$4.7 million, almost the same as reported for the last financial year. However, a slight increase in general and administrative expenses as a percentage of sales was reported i.e. from 4.1% last year to current year's 4.6%. The increase was mainly due to the exchange loss of US$0.5 million recorded as a result of the appreciation of Reminbi against US dollars. Nevertheless, the Group's general and administrative expenses as a percentage of the sales kept below 5% in both financial years.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to be essentially debt-free with minimal interest expense incurred for small balances of bills payables and bank overdrafts. Profit attributable shareholders decreased by 5.6% to US$5.6 million from last year's US$5.9 million. Excluding the impact of last year's reversal of impairment loss on leasehold buildings of US$1.7 million, the Group reported an increase of profit attributable to shareholders by US$1.4 million to US$5.6 million for the year ended 31st March 2006.

DIVIDENDS

An interim dividend of US$0.4 million (HK$0.01 per ordinary share) for the financial year ended 31st March 2006 was approved and paid during the year and the directors proposed a final dividend of HK$0.03 per ordinary share, totaling US$1.3 million, representing a total dividend of US$1.7 million or HK$0.04 per ordinary share for the financial year ended 31st March 2006. The dividend payout ratio for current year was approximately 31% of the profit attributable to shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2006, the Group's financial resources and liquidity continued to be healthy. We have focused our management effort to reduce operating expenses and maximize cash flow. The Group's cash flow remained strong with a total of US$9 million net cash generated from operating activities in the year.

The reported cash and bank balances were US$20 million, as compared to US$13 million as at 31st March 2005. Included in the bank balances and cash of the Group were Renminbi deposits and cash of approximately US$5.4 million (31st March 2005: US$2.7 million) kept in Mainland China. Renminbi is not a freely convertible currency. The Group had no bank borrowings except for a small balance of bills payable of US$0.1 million (31st March 2005: US$0.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Trade receivables as at 31st March 2006 decreased by 15% over the last years' balance to US$13.1 million, which was in line with the decrease in sales for the second half of the financial year. The average turnover days for both years were around 50 days. The Group maintains tight control on its credit and collection policies and we have not experienced any significant bad debts in the past.

Inventories also decreased by 5% to US$14.5 million as compared to US$15.2 million reported last year while the average turnover days remained healthy at around 55 days for these two financial years.

The Group generally relies on its internally generated cash flow and the existing banking facilities to finance its day to day operations. There are no present plans for material capital expenditures and investments and we believe that the Group has adequate financial resources to meet its funding requirement for our future business development.

PROSPECT

In light of the rising pressure on production costs and it is likely that these trends will continue in the near future, we are cautiously optimistic about the financial results for the coming year.