

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2006, the Group recorded a turnover of HK\$136.9 million which represented a growth of approximately 39% or HK\$38.5 million as compared to HK\$98.4 million of the corresponding period of 2005. There is strong growth in military and high reliability, telecommunications and technology equipment products markets, especially in the US. The US market remains the largest market of the Group, which contributed over 80% of the Group's turnover for the half year ended 30 June 2006.

For the period under review, the Group reported a profit attributable to shareholders and earnings per share of approximately HK\$38.4 million and HK12.01 cents respectively as compared to HK\$29 million and HK9.05 cents for the corresponding period in 2005. The significant improvement in operating results was largely due to the growth in turnover and improvement in operational efficiency and higher productivity.

### Liquidity , Financial Resources and Capital Structure

As at 30 June 2006, the Group had a total shareholder's equity of approximately HK\$280.5 million (31 December 2005: HK\$250.6 million), and cash and cash equivalents of approximately HK\$130.8 million (31 December 2005: HK\$110.7 million), which were predominately denominated in US and Hong Kong dollars.

For the six months ended 30 June 2006, the Group had not arranged for any banking facilities and other resources for financing. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

The Group has strong financial position. There were no debt and no bank loan for the six months ended 30 June 2006.

Capital expenditure for the period under review amounted to approximately HK\$1.2 million (2005: HK\$2.6 million).

The Group had limited exposure to foreign exchange fluctuations as most of its accounts receipts and payments are in US dollars.

### Employees and Remuneration Policies

As at 30 June 2006, the Group employed approximately 1,930 personnel around the world, with approximately 110 in Hong Kong, 1,800 in the People's Republic of China and 20 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operational system, product and technology development, and product safety.

**Contingent Liabilities**

There is no contingent liability as at 30 June 2006 (31 December 2005: HK\$Nil).

**Capital Commitments**

The Group has no material capital commitments as at 30 June 2006 (31 December 2005: HK\$Nil).

**Outlook**

Building on 39% growth in turnover in the first half of 2006, it is expected that the momentum will continue in the second half of the year.

The Group is committed to improving its production facilities to increase production efficiency and expanding its production capability to cope with increasing demand.

The prospects for global electronics business remain cautiously optimistic and the Group will continue to build on its competitive advantage to sustain growth for the rest of the year and in the coming years.