

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group's turnover was HK\$2.6 billion for the first half of 2006, representing an increase of approximately 26% compared to the same period last year. However, the Group's profit attributable to shareholders was HK\$85.5 million, reflecting no improvement over the corresponding period last year mainly due to the recognition of impairment loss in respect of the Group's properties of HK\$28.4 million.

The Group's Industrial Products Trading Division recorded an improvement in turnover and operating profit of approximately 26% and 33% respectively for the first half of this year as compared to the corresponding period last year. All operations of the Division in Hong Kong, the PRC, Taiwan, Singapore, Thailand and the Philippines contributed positively to the profit of the Group because of the Group's wide product ranges.

The turnover of the OEM Manufacturing Division increased by 26% in the first half of 2006 compared to the corresponding period last year due to the Group's enhanced production facilities and advanced technology level. The operating profit was HK\$68.6 million for the first half of this year, representing an increase of approximately 392% compared to the same period last year.

FINANCE

The Group has committed bank and other financing facilities totaling HK\$1,718 million, of which HK\$656 million were drawn down as at 30th June 2006.

As at 30th June 2006, the Group's consolidated net borrowings amounted to HK\$403 million and its shareholders' equity amounted to HK\$892 million, resulting in a gearing ratio of 45%.

Most of the Group's sales were conducted in the same currencies as the corresponding purchase transactions. Foreign exchange contracts were used to hedge exposures where necessary.

CAPITAL STRUCTURE

There had been no material change in the capital structure of the Group since 31st December 2005.