

Moving forward, the Group will continue to explore new business opportunities with its business partners with an aim to further strengthen its core business. The Group will expedite business growth by devoting its resources to extend its business solution profile serving the complete product chain as well as to further diversify its product and customer profile. In addition, the Group will actively pursue new investment opportunities, in particular the business opportunities in the development of cable television service and digital media broadcasting in China. The management will work proactively with China Electronics Corporation ("CEC"), the controlling shareholder of the Company, in this area so as to materialise quantum growth in shareholder's return.

FINANCIAL REVIEW

The Group generally finances its operation by internal resources and short term bank facilities. The Group had cash and bank balances of HK\$256.4 million as at 30 June 2006 (31.12.2005: HK\$306.4 million), which were primarily denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 30 June 2006, the Group had unsecured short term bank borrowings of HK\$187.5 million (31.12.2005: HK\$230.8 million), which were all denominated in Renminbi and were borrowed at contracted fixed interest rate. The Group's available bank facilities were approximately RMB600 million. As at 30 June 2006, the Group did not have any pledged assets or guarantee.

The Group's export sales are predominantly invoiced in United States dollars and its domestic sales are invoiced in Renminbi. The Group imports some of its raw materials and production and testing equipment from overseas suppliers which are paid in United States dollars, Japanese Yen and Euro. The Group will make use of hedging contracts, where appropriate, to leverage the risk of foreign exchange fluctuation arising from its operation.

As at 30 June 2006, the Group had net current assets of HK\$462.5 million (31.12.2005: HK\$470.7 million). The overall gearing ratio, which is calculated as the total liabilities over total assets of the Group, was 63% (31.12.2005: 71%).

As at 30 June 2006, the Group had contracted but not provided for capital commitments of HK\$1.5 million (31.12.2005: HK\$3.2 million) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liabilities outstanding as at 30 June 2006.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2006, the Group had approximately 3,000 employees, the majority of whom were based in China.