MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATION

Turnover of the Group for the year ended 30 September 2006 was HK$1,027,607,000 representing 7.5% increase compared with last year. Profit before tax for the year was HK$19,053,000. The Group's gross profit for the year was HK$81,548,000 with gross profit margin of 7.9% compared with the previous 10.5%. The decrease in gross profit was due to price competition and the increase in cost of raw materials as a result of high oil price. The proportion of trading business, which has a lower profit margin, rose during the year also caused the drop in our gross profit margin. Profit for the year was HK$14,477,000, representing a decrease of 46.6% from HK$27,109,000 a year ago.

Turnover of liquid crystal displays ("LCD") recorded a significant growth of 88.1% to HK$232,830,000 compared with HK$123,754,000 in previous year. Sales of LCD represented 22.7% of the Group's turnover for the year. The Group's expansion on LCD production capacity, growing applications and demand for LCD products together with the aggressive efforts of our marketing teams boost our sales of LCD. The rise in sales was supported by our sophisticated LCD production line in Mainland China.

Sales of electronic calculators was HK$447,758,000, down 12.4% from last year's. It represented 43.6% of the Group's turnover and was the largest business segment of the Group. During the year, the Group continued to launch a wide range of electronic calculators with value-added functions to the market with a view to maintain our market shares and market leading position.

Revenue from electronic watches and clocks was HK$118,853,000, slightly decreased by 6.9% from last year. It accounted for 11.6% of the Group's total sales for the year.

Turnover of telephone products amounted to HK$93,293,000, rose 121.5% compared with last year. It contributed 9.1% of total turnover of the Group, up 4.7% from last year. During the year, the launching of new models of multifunctional corded and cordless telephone got favourable response and demand from the market. Business from this section was still under expansion.

Sales of trading of computer parts and components recorded HK$27,127,000, decreased by 32.7% year on year. The Group has changed to trade TFT-LCD modules instead of memory products during the year.

Selling and distribution costs, which decreased by 3.5% year on year, were kept under control. Finance costs were HK$1,276,000 due to the cost of financing of our investment projects in China.

In geographical segments, there was double-digit sales growth in sales to Mainland China and local sales in Hong Kong.

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 2006, the total shareholders' equity of the Group was approximately HK$924,447,000, an increase of 2.6% over last year. The Group's cash and bank balances and time deposits stood at HK$186,666,000. The Group's bank loans were HK$34,286,000 and trust receipt loans were HK$9,243,000 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 25.8%. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

DIVIDEND

The Board proposed the final dividend for the year ended 30 September 2006 to be 1 cent (2005: 1 cent) per ordinary share, subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting and will be payable to the shareholders on 5 April 2007.

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 buildings and prepaid land lease payments of the Group and time deposits of HK$3,095,000 of the Group, together with the corporate guarantees given by the Company are used to secure banking facilities for the Group. At 30 September 2006, such facilities were utilised to the extent of approximately HK$9,243,000.

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 approximately 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 2006, 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$171,000,000.

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

Looking ahead, the management sees a lot of opportunities for growth and development in the coming year.

The investment in new products' research and development will be continued so as to keep abreast of consumer needs and market trends. It also contributes to our growth in turnover.

With its huge population in Mainland China, telephone market has a great potential to develop. New product like mobile phone will be launched in the coming fiscal year. Resources are used in the developments of other new products such as digital products which include electronic dictionary and digital language learning machine. The Group also endeavoured to produce high-end calculators. The Group expected to produce its own brand high-end calculator in the coming year. We are expanding our OEM production line and will cooperate with some well-established brands of consumer electronic products manufacturers to produce new OEM products.

The sales of LCD are expected to continue to boost. The Group is successful in capturing this growing demand LCD market. The sales of LCD products are supported by our sophisticated LCD production plant in Fujian, Mainland China. We will continue to streamline our STD-LCD production lines and upgrade our products to cope with the increasing demand in LCD products. The Chip-On Glass (COG) LCD production technology has been developed to a mature stage. The Group will continue to produce high quality products to meet the customers' needs and enhance our competitiveness in the market.

The new production plant in Henan, Mainland China has started its operation during the year for the production of consumer electronic products. The Group intends to continue to expand its production capacity in Mainland China in order to support its business growth in the future.

Under the pressure of high material costs which is due to persistent high oil price, the Group will continue to reduce our production and operating costs through streamlining the production process, improving operational efficiency and tightening cost control measures.

During the year, the Group recorded increase in sales to our major markets like China, Hong Kong and American countries. We are striving to seek new marketing opportunity in prospective markets such as PRC, Europe and America.

With high quality and diversification of products, strong sales and distribution network and effective cost control policies, we expect that we can improve our competitive edge and sustain business growth and development in the coming year. We remain optimistic about the business prospects and long term future of the Group.

Wong King Ching, Helen
Chairman

Hong Kong
25 January 2007