

INTERIM DIVIDEND

The Directors has resolved not to declare any interim dividend (2003: Nil). Accordingly, no closure of register of members of the Company is proposed.

REVIEW OF RESULTS

For the six months ended 30 September 2004 (the “Interim Period”), the Group recorded a turnover of HK\$33.9 million, representing a decrease of 28% as compared to HK\$47.1 million of the corresponding period in 2003. The net loss of the Group for the period was HK\$8.9 million (2003: HK\$0.8 million net profit). The interim results of the Group are unaudited but have been reviewed by the Audit Committee of the Company (the “Audit Committee”).

BUSINESS REVIEW AND PROSPECTS

The turnover of the snap off blade cutter business fell 9% year-on-year to HK\$21.5 million (2003: HK\$23.7 million) in the Interim Period. The profit margin of the business was adversely affected by high raw material prices during the period. As a result, the contribution of the business segment to the Group changed to negative HK\$0.7 million (2003: positive HK\$2.8 million). In response to falling turnover, at least five new products were launched during the Interim Period and a new economical line, catering to the lower-end market, has been developed. These are expected to help boost turnover and a moderate growth is expected in the second half of this financial year.

For the electronics business, the recovery of OEM sales was slower than expected in the Interim Period. As a result, the overall turnover of the electronics business fell 51% year-on-year to HK\$10.7 million in the Interim Period (2003: HK\$21.8 million). Monthly turnover of the electronics business recovered gradually to pre-SARS level by September 2004. New ODM products were launched during the Interim Period and moderate growth in ODM sales is expected in the second half of this financial year. Given that the external environment has become more favourable, the management is cautiously optimistic about the performance of the electronics segment in the second half of the financial year.

The Group’s client base is quite well diversified in terms of geographical locations. There was a high concentration in the Hong Kong market since sales were classified according to the location of direct clients. Most of the goods sold to our clients in Hong Kong were in fact exported to other countries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2004, the current and non-current liabilities of the Group amounted to HK\$65.6 million (31 March 2004: HK\$64.5 million) and HK\$16.4 million (31 March 2004: HK\$10.7 million). The increase in the amount of non-current liabilities was mainly due to the rescheduling of approximately HK\$5.9 million secured short-term bank loan falling due during the Interim Period. The amount of net current liabilities increased slightly to HK\$31.1 million (31 March 2004: HK\$29.1 million). The gearing ratio, defined as the percentage of total borrowings to shareholders’ funds, decreased to 79% from 81% over the Interim Period.

From the management’s point of view, the amount of financial resources available to the Group is adequate.

INVESTMENT POSITION AND PLANNING

Most of the Group's investments held were industrial properties situated in Mainland China and Hong Kong. These investments continued to generate a stable stream of income for the Group during the Interim Period. Subsequent to the Interim Period, the Group entered into an agreement to dispose of all its investment properties situated in Hong Kong and the transaction was duly completed on 15 December 2004. After the disposal, the assets and liabilities of the Group were estimated to be reduced by approximately HK\$2.2 million and HK\$3.3 million respectively. The net earnings of the Group was increased by approximately HK\$1.0 million after the disposal of these investment properties.

The Group did not have any significant investment position in stocks, bonds and other financial derivatives during the Interim Period. The Group's exposure to fluctuations in exchange rates was very limited because its assets and liabilities were well matched in terms of denominations.

SHARE CAPITAL

As at 30 September 2004, the share capital of the Company only comprised 4,831,957,705 ordinary shares of HK\$0.01 each. During the period, 28,150,000 ordinary shares of HK\$0.01 each of the Company were issued resulting from the exercise of share options by certain directors of the Company and employees of the Group.

CHARGES ON GROUP'S ASSETS

The Group's investment properties are situated in Hong Kong and Panyu, PRC and are all rented out. As at 30 September 2004, all (31 March 2004: 100%) of the Group's investment properties were pledged to banks to secure credit facilities granted to the Group.

As at 30 September 2004, approximately 61% (31 March 2004: 94%) of the Group's land and buildings were pledged to banks to secure credit facilities granted to the Group.

CONTINGENT LIABILITIES

As at 30 September 2004, the Company had given corporate guarantees to the extent of HK\$76.5 million (31 March 2004: HK\$88.1 million) to certain banks in respect of credit facilities granted to its subsidiaries.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There were no acquisition and disposal of subsidiaries and associated companies during the Interim Period.

EMPLOYEES

As at 30 September 2004, the Group had approximately 890 employees. Most of the employees are working in the Group's manufacturing base in Panyu, PRC. The Group offers remuneration packages in line with industry practices. Share option scheme and training schemes are adopted to enhance the sense of loyalty of employees.