

PROSPECTS

The management is confident that the Group shall benefit from its business strategy in pursuing its hi-tech related businesses in the PRC. The immense business opportunities arising from the PRC's accession into the World Trade Organisation ("WTO") will definitely flourish the expansion of the Group's technology businesses. As the accession to the WTO will bring in more employment opportunities for the huge population in the PRC and uplift their purchasing power, it is expected that consumer demand for hi-tech and high quality services and products will grow substantially in this information technology era.

The Company considers that the market environment may remain depress or only have small rebound in the next half year. The world economy continues to slow down radically since the terrorist attack on 11 September 2001 in the United States of America. The rate of unemployment in Hong Kong hit a record high. Given the established position of the Group in the PRC market, the management is optimistic about the future outlook of the Group. The management strongly believes that the Group is well shielded against the negative economic effect and would only be affected minimally.

Subsequent to the interim reporting date, the Group has completed the acquisition of 65% interest in International Telecommunication & Telegraph Limited, an investment vehicle which in turn directly holds 80% interest in a sino-foreign co-operative joint venture company namely China Railway Optical Fiber Information & Development Co., Ltd. (中鐵光通信息技術發展有限公司) ("CROFIT"). CROFIT develops the pay phones project along the railway network in 15 provinces and municipal city in the PRC and cooperates closely with the PRC telecom giant in the railway network, China Railway Communication Company Limited (鐵道通信信息有限責任公司) ("CRC"), through the pay phones project. CRC is one of the largest telecommunication carriers in the PRC.

In view of the worldwide economic downturn, the Company had already sharpened its competitive edge. The management had imposed various stringent cost control measures on the Group with an aim to trim down its internal overheads and running costs. The Group will continuously strive to enhance its market penetration in the existing PRC markets and explore any new emerging business potentials so as to strengthen the profitability of the Group.