

PROSPECTS

Looking ahead, the Directors are of the opinion that the booming digital century will create strong market demand for the digital and internet-related products, while the LCD handheld games market will further consolidate. During the past year, the previous LCD product division has been successfully restructured from a traditional handheld game manufacturer to incorporate the manufacturing of multimedia electronic products. Both the customers and components suppliers welcome the changes of the division. Hence the Group is now focusing on accelerating the development of new products for the four-selected product category areas, i.e. digital camera, karaoke system, games and telephones products. The existing manufacturing facilities will be further equipped and modified in the middle of this year so as to manufacturing more hi-tech electronic products in order to meet the customer demand.

In the current period, sales to Japan are approximately HK\$47.5 million and accounted for about 18% of the Group's total turnover, increased approximately by 8 times of that recorded in the corresponding period of last year. Amongst this turnover amount, approximately HK\$39 million are sales of digital camera. The Directors are working to increase the market share in Japan.

In the current period, the Group has imposed certain measures to reduce the manufacturing overhead and administrative expenses. However, the effort was negated by the worldwide shortage of components and the rise in material costs. Individual operations are now establishing good and reliable relationship with the strategic suppliers of both the major components and technical support for the Group's products. The Directors expected that the worldwide shortage of components would gradually improve and stabilise in the second half of the current financial year, and consequently the profit margin of the Group's products will improve. The Directors are optimistic that the Group is well positioned to diversify product range, improve production efficiency, increase market exposures and expand customer base.