

PROSPECTS

Sale of mobile phones

Due to the keen competition, we expect that the profit margin will be continuously reduced. We hope that the increase in sales volume will compensate for part of it and the new features of the mobile phones such as integrated digital camera and multimedia messaging services will stimulate the consumer consumption. The set up of the "Circle" retail chain is a great challenge to the management. We have streamlined its operations and expect that the advantages of economic of scale of operations and the increasing popularity of the brand name of "Circle" will come into effect in the second half of the year.

Sale of office telephone systems

We expect that the demand of office telephone systems is unlikely to improve due to the sluggish market situation and uncertain economic conditions in commercial sector. We will tighten our cost control and broaden the product varieties.

Connection services

We have already trimmed this operation to a minimal scale and transferred the manpower and other resources to run Circle's operations.

Property investment

As disclosed in our circular dated 4 November 2002, a property adjacent to one of our existing investment properties has been purchased. This will not only strengthen our property portfolio to increase the rental income, but also cater for an opportunity to redevelop the properties should the market situation and return justify.

Other activities

We expect that the income from this segment will be stable in the second half of the year.

Research and development

A bluetooth handsfree car kit, a first product developed by our research and development team, is expected to be launched in the USA market at the beginning of next year. Other new products are now under development and will be launched next year.



Joint Venture Company in Shanghai, the PRC

A joint venture company, 80% owned by us, has been formed in Shanghai, the PRC for provision of system integration services. The company is expected to commence business in January 2003. This gives us a foothold to explore the China market.

All of above actions have been made towards our goals as mentioned in the prospectus. Some of the investments as mentioned above will inevitably have some adverse impact on the Group's profit in the short run. However, we believe that these moves are necessary for the Group's long term prospects and development.

Finally, we would like to extend our sincere gratitude to all the staff members of the Group for their contribution and continued support during the period, especially under such severe economic conditions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30 September 2002, the cash and bank balances amounted to approximately HK\$53.1 million (31 March 2002: HK\$51.5 million) while the bank borrowing was HK\$0.5 million (31 March 2002: HK\$1.2 million). The gearing ratio was 0.3% (31 March 2002: 0.6%). The gearing ratio is expressed as a percentage of total borrowings to shareholders' funds.

As substantial portion of transactions are dominated in Hong Kong Dollar, the Group's exposure to exchange fluctuation is low.