

## PROSPECTS

The relaxed travel policy for mainland travelers and the announcement of the CEPA will help to stimulate both consumer and corporate spending in the second half of the year. The Group will strengthen the operations in Mainland China and build its own brand of telecommunication products under the brand name of "Circle" for sales in USA, Hong Kong and other areas. A new product, 5.8G wireless PABX, is expected to be delivered in December 2003.

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.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong financial position. As at 30 September 2003, the cash and bank balances amounted to approximately HK\$27.8 million (31.3.2003: HK\$22.0 million) while the bank borrowings were HK\$31.8 million (31.3.2003: HK\$33.4 million). The gearing ratio was 15.9% (31.3.2003: 16.6%). 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.

## USE OF PROCEEDS OF NEW ISSUE

Up to 30 September 2003, the use of the listing proceeds are analysed as follows:

	<b>Forecast</b> HK\$'000	<b>Actual</b> HK\$'000
Repackaging and expanding the existing stores	5,000	5,000
Setting up sales and distribution network in United Kingdom and the United States	4,000	500
Expanding the distribution channel in PRC	4,000	-
Establishing a joint venture in Shanghai, the PRC for provision of systems integration services	2,000	2,000
Research and development	8,000	8,000
General working capital	7,500	7,500
	<u>30,500</u>	<u>23,000</u>

The unused balance of approximately HK\$7.5 million has been placed into short-term bank deposits.