

PROFIT FOR THE YEAR

For the year ended 31st March 2004, the Group's turnover increased by 16% to HK\$954 million (2003: 821 million) and net profit decreased by 95% to HK\$0.5 million (2003: HK\$10.9 million) in comparison with the last year. During the year under review, an investment property has been sold resulting in a loss of approximately HK\$2 million.

DIVIDEND

The Directors have proposed a final dividend of HK\$0.01 per share. The proposed dividend will be payable on or before 17th September 2004 to shareholders of the Company whose names appear on the branch register of members in Hong Kong ("Register of Members") at the close of business on 10th September 2004 and is subject to approval by the shareholders in the forthcoming annual general meeting.

BUSINESS REVIEW**Sales of mobile phones**

Although the turnover was increased by 16% to HK\$880 million (2003: HK\$758 million), the profit was decreased by about 66 % to HK\$2.3 million (2003: HK\$6.7 million). With the intensive competition in the mobile handset market and the outbreak of SARS in April and May 2003, the profit margin has been greatly eroded, thus adversely affecting the profit.

Sales of business solutions

Due to the set up of a joint venture company in Shanghai and a security system sales team, the turnover was increased by 45% to HK\$45 million (2003: HK\$31 million). However, due to the keen competition and setting up costs of the joint venture company and sales team, this segment recorded a loss of HK\$3.6 million.

Connection services

The saturated penetration rate of the mobile phone service subscribers restricted the growth of the business. The profit for this segment was HK\$0.4 million.

Property investment

The purchase of an investment property last year led to the increase in profit from HK\$1.6 million to HK\$2.2 million when compared with last year.

Installation, repair and maintenance services

The low demand of these services led to the decrease in both turnover and profit. The turnover has reduced by approximately 12% and the profit has decreased by approximately 59% to HK\$2.5 million (2003: HK\$6.2 million).

PROSPECTS

The competition of mobile phone market will be still fierce in coming year. However, we hope that the enhanced features of new mobile phones will help to boost the sales and improve the gross profit margin. We have also expanded our mobile phone distribution business in Thailand, Singapore and Malaysia. As mentioned above, the Group has set up a joint venture company in Shanghai and a security systems sales team in Hong Kong last year. This helps to broaden our customer base and diversify our product portfolio. The rental income, contribution from installation, repair and maintenance services and connection services are expected to be stable.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March 2004, the Group's cash and bank balances amounted to approximately HK\$32 million (2003: HK\$22 million) while the bank borrowing was HK\$30 million (2003: HK\$33 million). The long term bank borrowing is denominated in Hong Kong dollars and is repayable by 120 monthly instalments at a fixed interest rate. The gearing ratio was 15.8 % (2003: 16.6 %) which is expressed as a percentage of total borrowings to shareholders' funds.

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

CAPITAL EXPENDITURE

The Group invested HK\$4.3 million in furniture, fixtures, equipment and other tangible assets. This was financed from internal resources.

USE OF PROCEEDS OF NEW ISSUE

Up to 31st March 2004, the use of the listing proceeds are analysed as follows:

	Forecast	Actual
	HK\$'000	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	1,000
Expanding the distribution channel in PRC	4,000	1,000
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>24,500</u>

The unused balance of approximately HK\$6 million has been placed into short-term bank deposits.

EMPLOYEES

As at 31st March 2004, the total number of employees of the Group was approximately 280 (2003: 300) and the remuneration of employees (excluding directors' emoluments) amounted to HK\$40 million (2003: HK\$41 million). The remuneration and bonus packages are based on the individual merits and performance and are reviewed at least annually. There is a share option scheme in place designed to award employees for their performance at the discretion of the Directors. The Group maintains a good relationship with its employees.

PLEDGE OF ASSETS

At 31st March 2004, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4 million (2003: HK\$4 million) and HK\$55 million (2003: HK\$54 million) respectively were pledged to banks to secure banking facilities granted to the Group. In addition, the group's bank deposits of HK\$280,000 (2003: Nil) were pledged to banks to secure the performance bonds.

CONTINGENT LIABILITIES

Corporate guarantees totalling HK\$96 million (2003: HK\$86 million) have been executed to secure banking facilities granted to the subsidiaries.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 6th September 2004 to 10th September 2004, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Share Registrars in Hong Kong, Pilare Limited, at 10th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong not later than 5:00 p.m. on 3rd September 2004.

APPRECIATION

We would like to extend our sincere gratitude to all the staff members of the Group for their contribution and continued support during the year.