

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS SUMMARY

For the six months ended 30 June 2004, the Group's turnover and net profit was approximately HK\$68,010,000 and HK\$2,340,000 respectively as compared to the turnover of HK\$65,960,000 and its net profit of HK\$140,000 for the corresponding period of 2003.

### BUSINESS REVIEW AND PROSPECTS

During the period the Group has continuously fostered and supported broadband wireless access business, intelligent transportation system business and video conferencing system business, resulting in a continuous rise in sales revenue and significant increase in net profit of the Group for the six months ended 30 June 2004, as compared to its overall results for the corresponding period of 2003 by means of diligently exploring market, increasing its turnover and sales revenue and strictly controlling cost and expenses concurrently.

Broadband wireless access business, being a new business with better profit margin, has continuously enjoyed a greater share of its total turnover during the period. The products of CB-ACCESS wireless access system has been selected as network construction equipment by large operators and internet service provider (ISP), such as China Telecom, China Netcom, China Unicom, China Mobile, China Railcom and CETC Communications. Business orders have been placed in the region of Greater China and South East Asia, such as Beijing, Shanghai, Guangdong, Jiangsu, Henan, Jiangxi, Sichuan, Guizhou, Yunnan, Gansu, Qinghai, Hong Kong, Macau and Taiwan. Meanwhile, the Group's CB-MUX series products, used for voice and data comprehensive assessing and developed by its own efforts, have been launched appropriately to the marketplace, installed and operated in very large quantities. These products have already formed a huge commercial scale in the market for the time being, whose degrees of satisfaction and awareness are clearly enhanced, thus maintaining the competitive advantages relative to similar products in the marketplace.

The Group had a great degree of awareness for its product positioning in the highly competitive communication market. Currently, in order to penetrate the market, consolidate and expand its market share by means of competitive advantages and attractive pricing policy, the Group had adopted various effective measures to strengthen the popularity of broadband wireless communication products and to enhance the acceptability of sales service in overall. Concurrently, on the basis of upgrading the

product research and development, the Group had formed a strategic alliance and win-win cooperation with some innovative organizations in order to quicken the launching of new products to the market, thus continuously maintaining its relatively leading role in the marketplace.

During the period the Group had developed two types of product, namely, the mobile control unit based on GSM/GPRS communicated technique and the vehicle despatching and control system based on internet-related control centres, providing the total solutions as well as operation services to the necessity for intelligent transportation system of the public.

The Group has, on the schedule, actualized the agreed projects of China General Administration of Customs like IC card management system, electronic guardrail system and GPS vehicle control throughout Customs in China, and concurrently bids for new contracts of total solutions for other departments.

The Group had established its operation centres to provide the society the mobile vehicle monitoring and despatching services, under the unified brand name HangTianQiHua. Those operation centres had achieved the planned progress in terms of hitting the target clientele and increasing the operation revenue.

During the period the Group's video conferencing system business has launched new products based on MPEG4 technique, together with existing MPEG2 video conferencing system, which constitutes MPEG2/MPEG4 dual-mode system to fulfil the different requirements of end-users and the product chain of video conferencing systems. The Group will continuously consolidate the existing market foundation and aggressively promote the specialized system concurrently.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 30 June 2004, the Group employed 275 (2003: 256) employees. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides provident funds and medical insurance to its employees. In addition, discretionary performance related bonus and share option schemes are available and are at the discretion of the Directors.