

OUTLOOK

The Directors remain positive about the Group's future, and feel that the demand for specialised communications solutions will remain strong. China continues to be a major market for the Group. The recent decision by the Chinese Government to place work safety high up the Central Government's agenda and to improve safety standards at its mining operations with a budget of RMB 3 billion has provided an opportunity for the Group's suite of fire-safety products, especially our patented Spark-proof Intrinsically Safe communication systems, which enable instant communication with mobile staff in potentially hazardous environments, and have met very stringent requirements.

To capture more cross-border trade and investment opportunities which have been further facilitated by a new round of CEPA rapport and the Pan-PRD (Pearl River Delta) Agreement, the Group is actively reviewing the opportunities provided and making plans to capitalise on such favourable arrangements.

FINANCIAL POSITION

Liquidity and Financial Resources

The Group continued to maintain a policy of financial prudence. As at 31 December 2004, the Group had HK\$142 million made up of deposits, bank balances and cash. The gearing ratio was 0.09 (30 June 2004: 0.10), which calculation was based on the Group's total borrowings of HK\$83 million (30 June 2004: HK\$82 million) and shareholders' funds of HK\$950 million (30 June 2004: HK\$827 million).

Total borrowings comprised bank borrowings of HK\$71 million (30 June 2004: HK\$65 million); other borrowings, which represent block discounting loans, of HK\$12 million (30 June 2004: HK\$17 million); and obligations under finance leases of less than HK\$1 million (30 June 2004: less than HK\$1 million). The bank borrowings were mainly used as working capital for the operations of the Group. Finance costs for the Period amounted to HK\$3.5 million (Previous Period: HK\$5.7 million).

As at 31 December 2004, certain land and buildings of the Group with a net book value of HK\$11 million (30 June 2004: HK\$10 million) were pledged to a bank as security for banking facilities granted to a subsidiary of the Group.

Exposure to Exchange Rate Fluctuations

The Group does not engage in interest rate or foreign exchange speculative activities. It is the Group's policy to manage foreign exchange risk through matching foreign exchange income with expense, and where exposure to foreign exchange is anticipated, appropriate hedging instruments such as forward contracts will be used.