

## MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30th September, 2006, the Group's turnover was HK\$398 million which represented a decrease of approximately 31% (2005: HK\$579 million). The net profit during the period was HK\$6 million whereas the net profit for the corresponding period of last year was HK\$77 million, which included gain on disposal of investment properties and leasehold land and buildings amounted to HK\$69 million.

### Sales of mobile phones

The decrease of the profit from HK\$10 million to HK\$4 million was due to keen competition leading to decrease in profit margin. To avoid the fierce competition and benefit from higher profit margin, our overseas subsidiaries have gradually migrated to the sales of business solutions. This resulted in decrease in turnover from HK\$533 million to HK\$357 million in comparison with the last corresponding period.

### Sales of business solutions

The sales of business solutions relate to the sales of business solutions, security systems and integrated services. During the period under review, the profit from this business segment decreased from HK\$0.4 million to HK\$0.2 million. The downturn in financial performance was due to substantial resources being input into the research and development of new network telephone system, radio frequency identification ("RFID") project and software development.

### Property investment

Gross rental income generated from the investment properties decreased from HK\$0.8 million to HK\$0.4 million, while the operating loss increased to HK\$0.4 million (2005: HK\$0.03 million). The drop of rental income was due to the increase in vacancy of certain properties during the period.

## PROSPECTS

To diversify from mobile phone business, the Group will place more efforts and resources into product development, RFID projects and software development through its subsidiaries locally and regionally.