MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

It is encouraging that turnover of the Group of the six months ended 30th September, 2006 had started to rise again after a sudden and unexpected downturn in the optical disc manufacturing sector. The turnover of the Group for the six months ended 30th September, 2006 recorded an increase of approximately 61.6% as compared with the six months ended 30th September, 2005. Approximately 90.6% (for the six months ended 30th September, 2005: 92.9%) of the turnover in respect of the provision of engineering system contracting services was attributed to optical disc manufacturing systems. The remaining portions were attributed to audio, visual, broadcasting and intelligent traffic management systems. After a long period of industry downturn, business operations of optical disc manufacturers had stabilized and some of them had resumed small scale of expansions and some of them re-located their plants to enjoy geographic benefits in their respective market supply chain, thus boosted the turnover to its existing level.

The gross profit margin for the six months ended 30th September, 2006 dropped from approximately 10.6% in last period to approximately 8.6% in current period. It was mainly resulted from a narrowed profit margin being accepted by optical disc manufacturers in general. The Group had no choice but to live with this business reality in order to preserve its market position.

During the reporting period, the Group continued to allocate resources for business development and technology advancement in other emerging business sectors including intelligent traffic management systems, audio visual and broadcasting systems, solar cell panel and contact lens manufacturing systems. Obviously all the Group's effort in these business areas had not been able to contribute to the recent financial results. Accordingly, the Group had trimmed down its operating expenses during the period in order to cope with this long transitional sluggish business environment. During the reporting period, certain old customers with long outstanding receivables failed to stick to their originally committed payment schedules and the Group had to, as a result, make extra provisions to such debtors accounts.

Based on the above factors, for the six months ended 30th September, 2006, the Group incurred a loss of approximately HK$4.8 million (for the six months ended 30th September, 2005: a loss of approximately HK$20.6 million).

USE OF PROCEEDS

The proceeds from the issuance of new shares by the Company in June 2005, net of listing expenses, were approximately HK$49.6 million. As at 30th September, 2006, net proceeds were utilized in the following manner:

	Per Prospectus *HK$'000*	Amount Utilised *HK$'000*	Balance as at 30th September, 2006 *HK$'000*
Formation of business alliances	17,628	4,319	13,309
Expansion of existing subsidiaries and formation of new subsidiaries	2,000	400	1,600
Acquisition of premises for setting up showrooms	4,000	–	4,000
Expansion of communication network	1,000	107	893
Repayment of revolving term loan	15,000	15,000	–
Expansion of research capabilities	6,000	3,595	2,405
Working capital	4,000	4,000	–
	49,628	27,421	22,207

The unutilized balance was placed in short term bank deposits.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations through a combination of shareholders equity, internally generated cash flows and bank borrowings. As at 30th September, 2006, the Group had cash and cash equivalent of approximately HK$19.4 million (31st March, 2006: HK$36.7 million) and total interest-bearing bank borrowings of approximately HK$37.8 million (31st March, 2006: HK$37.6 million), of which approximately HK$37.8 million (31st March, 2006: HK$37.6 million) are repayable within one year. As at 30th September, 2006, the Group's current ratio was 1.4 (31st March, 2006: 1.4) and the gearing ratio (a ratio of total loans to total assets) was 14.3% (31st March, 2006: 14.3%).

CAPITAL COMMITMENTS

As at 30th September, 2006, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 30th September, 2006, the Group had contingent liabilities in respect of performance bonds amount to approximately HK$Nil (31st March, 2006: HK$5,639,000).

MORTGAGES AND CHARGES

As at 30th September, 2006, the Group had outstanding mortgage loan of approximately HK$30,000, for which the office premises of the Group is charged.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th September, 2006, the Group employed a work force of 87 staff. Remuneration for employee including medical benefits and staff quarters which are determined based on industry practice, the performance and working experience of the employees and the current market conditions. During the period, the total staff costs amounted to approximately HK$10.5 million (for the six months ended 30th September, 2005: HK$9.5 million).

The Company adopted a pre-IPO share option scheme and another share option scheme respectively on 30th March, 2005 and 20th May, 2005 for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations. As at the date of this report, 15,000,000 pre-IPO share options were granted under the scheme. Details of the grantee are set out in the prospectus dated 27th May, 2005 issued by for the Company.

FOREIGN EXCHANGE EXPOSURE

The majority of the transactions of the Group are denominated in US$, EURO, and JPY. The Group has not entered into any financial instruments for the purpose of hedging against foreign exchange exposure involved in the Group's operations. However, the Group monitors its foreign exchange exposure by matching the timing of its trading receipts with payments. The Group also matches its selling currencies with its purchasing currencies.

PROSPECTS

The Directors are still confident in the future of the Group in that tremendous efforts had already been put in various business sectors for years. Due to various reasons not under the Group's control, the Group had not secured substantial contracts on such sectors including intelligent traffic management systems, digital broadcasting systems, solar cell panels and contact lens manufacturing systems. However, the Directors believed that shareholders will see more obvious breakthroughs within calendar year 2007.

The Group had already tendered for lots of system installation works for sports venues and entertainment facilities during the past couple of years. Locations of the major tenders on sports and entertainment sectors are in Beijing and Macau respectively. Certain smaller contracts had already been secured shortly after this reporting period which should start to contribute to post period end results. With the 2008 Beijing Olympics drawing nearer and nearer and competition for visitors to various casinos in Macau getting more and more vigorous, the Group will definitely benefit from the huge market demand for top tier contractors that can provide the required systems and services.

Diversification continued to be the major development strategy of the Group. Optical disc manufacturing systems, being once the most important revenue source, would be losing weight in the business portfolio of the Group. However, it is still early to forecast when the Group can achieve a balanced contributions from each of the business sectors the Group has engaged in. In addition, other than those new business sectors mentioned in this report, the Directors will continue to look for other opportunities that may make other good use of the talents and capabilities of the Group.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the period.