



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2004 (2003: nil) .

REVIEW AND OUTLOOK

FINANCIAL REVIEW

Performance

During the period, the Group has obtained nationwide distribution right for two key Nokia's new handset models: 7610 and 3220. The high value model 7610 contributes higher profit margin than other volume drivers. Other significant profit contributing models include Nokia's 3100 and 3300. The total number of handset sold in the first and second quarter is 441,000 and 782,000 sets respectively. The increase in sales volume in the second quarter is attributable to the following sales drivers: Nokia's 3100 and Nokia's 2300. In September, the number of handsets sold exceeded 310,000 sets in anticipation of the National Day's long holidays in China. The total number of handset sold during the first six months totaled 1,222,000 sets representing an increase of 49.7% as compared with 816,000 units sold during the corresponding period in year 2003. The consolidated turnover for the six months ended 30 September 2004 totaled HK\$1,265 million representing an increase of 37% as compared with HK\$927 million during the corresponding period in year 2003. The exceptional low turnover for the same period last year is due to the adverse impact of SARS. The percentage increase in turnover is lower than the growth in number of handset sold is caused by the low selling price of Nokia's 2300 at less than Rmb 1,000 which accounts for approximately one third of the sales volume. Notwithstanding the launch of new handsets and its satisfactory sales during the second quarter, the Group's overall profit margin decreased to 4.0% during the six months period as compared with 4.4% for the corresponding period in year 2003 because of overall lower margin on products in the first quarter. The distribution cost also increased to HK\$9.8 million as compared with HK\$6.6 million for the same period last year due to increase in promotional expenses and sales commission relating to new products. Nevertheless, the interim operating profit and the net profit were increased to HK\$30.6 million and HK\$16.5 million respectively as compared with HK\$22.7 million and HK\$15.5 million during the same period last year. As a result of decrease in share price of the Group's investment in PacificNet Inc., the Group has booked an unrealized loss of HK\$1.5 million during the period as compared to an unrealized gain of HK\$2.6 million and a realized gain of HK\$0.7 million booked during the corresponding period last year. As at 30 September 2004, the Group still holds 78,217 shares in PacificNet Inc.