

## **INTERIM DIVIDEND**

The Directors have resolved not to declare any interim dividend in respect of the Period (2003: HK1 cent per share).

## **BUSINESS REVIEW AND OUTLOOK**

For the six months ended 30 September 2004, the Group achieved a turnover of approximately HK\$1,384,071,000, an increase of 51.5% as compared with HK\$913,627,000 recorded in the corresponding period last year. EBITDA and profit attributable to shareholders were HK\$55,025,000 and HK\$11,865,000 respectively.

Competition in the consumer electronics market remained fierce and the high cost of materials continued to affect the Group's profit margin. The prices of key components, such as flash memory and RAM (random access memory), rose quickly as demands increased in the second half of last year. The effect of the increased cost carried forward to the second quarter of this year. The prices had started to come down since July. The costs of other materials such as metals and plastics also stayed on high levels. The persistently high costs had adversely affected the Group's margin.

The Group continued to invest resources in the research and development of new digital products so as to keep pace with the rapidly changing market. Our product and engineering departments in Hong Kong, Shenzhen and Dongguan work very closely with solution providers and component suppliers. Most of the major new products include digital amusement centre, digital satellite receivers, cable set top boxes, LCD TV and DVD recorders were launched this year and we expect them to generate significant and constant contributions to the Group in the coming years.

The marketing division for digital satellite receivers saw steady progress. Orders were delivered and initial customer reactions were very encouraging. Our research indicated strong potential demand for these products in the market and discussions with important ODM and OEM customers in Europe and Middle East have been promising. We have confidence that this business will become a significant contributor of the Group in the future.