

## **INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: HK\$Nil per share).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

Turnover for the period was increased to HK\$67 million and represented an increase of 15% as compared to the corresponding period last year. The Group incurred a net loss of HK\$9 million for the first half of 2005 as compared to a net loss of HK\$15 million in the same period last year. The share of losses of an associate was decreased to HK\$2 million or a decrease of 58 % as compared to the same period last year.

The manufacturing business remains as the Group's core business. Sales to Europe, Australia and South America was increased by HK\$6 million and accounted for 70% of the increase in turnover. As a result of production rationalization, the gross margin was maintained at 22% despite the increase in prices of plastic as well as other key raw materials.

The Group's associated company, Chinese 2 Linux (Holdings) Limited ("C2L") continues to incur losses for the 6 months ended 30 June 2005. The Group's share of its losses for the 6 months ended 30 June 2005 amounted to HK\$2 million as compared to HK\$5 million in the same period last year. The directors are aware of the impact of the losses incurred by C2L on the Group's carrying value of C2L of HK\$14 million at 30 June 2005. The directors will continue to monitor the performance of C2L and will make necessary adjustments upon being able to quantify any impairment loss on the value in the accounts of the Group for the year ending 31 December 2005.

### **Outlook**

In view of the rises in material and labor costs in the Guangdong Province, the management retains a conservative view to the Group's performance in the second half of 2005 and will continue to pursue a policy of cost containment and product rationalization.