

## INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend in respect of the Period (2004: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Prospects

For the six months ended 30 September 2005, the Group achieved a turnover of approximately HK\$1,233 million. EBITDA and profit attributable to shareholders were HK\$68 million and HK\$17 million respectively, as compared with HK\$55 million and HK\$12 million for the last corresponding period.

During the Period, market demands for the Group's products remained stable. New products such as portable DVD, cable set top boxes and digital satellite receivers have been well received by the market and demands are expected to increase in the coming years. The Group has a strong product road map and the latest products being developed include DVD recorder with hard disk and VCR compatible, LCD and CRT TV incorporating DVD function, etc. Products such as DVD recorder with its much advanced features are expected to replace traditional recording products such as VCR, and technological advancements will enable selling prices to fall making those products more affordable to the mass consumers, hence generate significant demand.

Costs of certain materials such as plastic and metal parts are still high but have stabilized. The prices of other key components such as deck mechanisms and integrated circuits have been falling gradually. Although selling price of the Group's products have also been under pressure, their general profit margin was maintained.

During the Period, we set up Tonic DVB Marketing Limited ("TDML") to specifically handle the growing digital satellite receiver business. The operating unit of TDML is in Shenzhen and will initially focus on the ODM/OEM business in Europe and the Middle East. On the other hand, we closed our own brand business in Japan under our home appliance division. However, our service to ODM/OEM customers in Japan and the rest of the world will continue. The home appliance division contributed approximately 10% of the total sales of the Group during the period and bigger contributions from it are expected in the coming years.