

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: nil).

## REVIEW AND OUTLOOK

### Financial Review

#### *Performance*

During the period, the Group obtained an exclusive nationwide distribution rights for seven new Samsung's handset models, namely E778, E788, D848, i858, X508, X638 and X688. This was an important step for the Group to move towards a multi-brand distributor and to catch up with the current trend in mobile phone distribution industry in mainland China. The cooperation with Samsung will shift the Group's existing sales mix from highly concentrated Nokia products to a mix of Nokia and Samsung products.

Nevertheless, the contribution from Samsung handsets for the period was not significant as six of the seven models were launched in late June or early July this year. As a result, sales for the period was still mainly contributed by the existing national-wide distributed Nokia models: 7610, 3220, 2600, N-Gage QD, 6021 and 6708.

However, as most of these models were launched in mid to late 2004 and getting close to the end of their life cycles, both their unit selling prices and sales volumes fell in comparison with those of the same period last year. As a result, the total number of handsets sold of approximately 1.3 million sets and the consolidated turnover of HK\$1,217 million for the first six months ended 30 June 2006 represent a decrease of 14% and 21% respectively as compared with those for the previous corresponding period. Negotiation with Nokia on obtaining national distribution rights for some of their new handset models is in progress and should be finalized very soon.

As the cut throat price competition among some of the leading retail chains was finally regulated by the vendors at the end of last year, the gross profit margin went up to a more reasonable level of 4.2% as compared with that of 3.5% for the previous corresponding period. The sales of Samsung models also contributed to a higher profit margin even though their sales volume was not very significant during the period. However, the gross profit of HK\$52 million was still 6% lower than that of the previous corresponding period due to the lower sales turnover. With the full launch of Samsung models in July, it is expected that both sales and gross profit will be improved in the second half of the year.

At the same time, the Group continues to negotiate with the vendors and the operators with a view to develop other distribution modes as well as to create added values for them and thus generating higher amid steady revenue for the Group.