

INTERIM DIVIDEND

The Directors have resolved not to declare any interim dividend in respect of the Period (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

For the six months ended 30 September 2006, the Group achieved a turnover of approximately HK\$1,578 million, representing an increase of 28% over the corresponding period of 2005. EBITDA and profit attributable to shareholders were HK\$75 million and HK\$22 million respectively, representing a 11% and 27% increase over the corresponding period of 2005.

During the Period, the Group registered increased demands for its various products. New features were added to enhance the products developed by the Group in the past few years. Products such as VCR+DVD combo, VCR+DVD/RW combo, digital satellite receivers and cable set top box delivered better profit margins and sales.

Costs of certain materials such as plastics and metal parts stabilised but was still relatively high thus continued to pose pressure on the production cost. The Group's own power generators ensure production is not affected by power shortages, but the cost of powering them was affected by high oil price during the Period. The Group's cost structure also felt the impact of the elevated minimum wage level in Guangdong Province, effective in September 2006. The Group is committed to keeping its cost under control and thus maintaining its competitiveness in the industry.

The Group complies with the European Union's RoHS Directives that came into effect on 1 July 2006, restricting the use of certain hazardous substances in electrical and electronic equipment imported by EU countries. New electrical and electronic equipment containing more than agreed levels of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants are banned from the EU market. In the advent of the Directives, the Group had implemented procedures and policies and purchased facilities that enable to assure compliance. The Group expects other markets such as the US to impose similar requirements and is ready to meet those standards with all adequate facilities already set up and running.

The United States Federal Communications Commission ("FCC") has adopted the major elements of the Advanced Television System Committee ("ATSC") Digital Television (DTV) Standard. In time, ATSC will replace NTSC, which is an American organisation overseeing analog TV transmissions, and digital TV transmissions is expected to be gradually implemented in the US in 2007. Based on the market responses gauged so far, demands for ATSC products such as digital high definition television (HDTV), standard definition television (SDTV), data broadcasting, and interactive television are expected to rocket in the coming year. The Group will inject more resources into research and development of ATSC products to cope with the anticipated rising demand.