

DIVIDEND

The Board has resolved to declare an interim dividend of HK1 cent (2005: interim dividend of HK1.5 cents) per share for the six months ended 30 September 2006. The dividend will be payable on or about 8 February 2007 to shareholders of the Company whose names are on the Register of Members on 2 February 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 29 January 2007 to 2 February 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 January 2007.

BUSINESS REVIEW

For the six months ended 30 September 2006, the Group's unaudited consolidated turnover reached HK\$1,862 million, a growth of 19.2% as compared to the same period last year. The unaudited consolidated profit attributable to equity holders amounted to HK\$22 million, a decrease of HK\$3 million from the same period last year.

During the period, crude oil prices, which affect the Group's energy and raw material costs, particularly those of plastics and electricity, continued to be volatile and ranged from US\$80 per barrel to about US\$58 per barrel, a variation of more than 30%. Confidence in the consumer market continued to be adversely affected by oil price volatility.

During the period under review, the Group worked diligently in various strategic initiatives with vigor and determination. As its top priority to meet the demands of a rapidly changing marketplace, the Group continued its strong drive to upgrade its product mix. The sales turnover of portable DVD players contributed approximately 26.3% of the Group's total sales for the first half in Financial Year ("FY") 2007. Moreover, the car mobile division also commenced operations in August 2006 with 6 production lines in place as of 30 September 2006. This division contributed about HK\$11 million to the Group's overall sales.

股息

董事會已議決派發截至二零零六年九月三十日止六個月之中期股息每股1港仙(二零零五年：中期股息每股1.5港仙)。有關股息將於二零零七年二月八日或前後向於二零零七年二月二日名列本公司股東登記冊內之股東派發。

暫停辦理股份過戶登記手續

本公司在二零零七年一月二十九日至二零零七年二月二日(包括首尾兩天)之期間內將會暫停為股東辦理股份過戶登記手續。為符合收取中期股息之資格，務請股東在二零零七年一月二十六日下午四時三十分之前，將所有有關之過戶文件連同有關股票交回本公司之香港股份過戶登記分處登捷時有限公司，地址為香港灣仔皇后大道東28號金鐘匯中心26樓。

業務回顧

截至二零零六年九月三十日止六個月，本集團之未經審核綜合營業額為1,862,000,000港元，較去年同期增長19.2%。權益持有人應佔未經審核綜合溢利為22,000,000港元，較去年同期減少3,000,000港元。

期內，原油價格繼續波動，價格波幅超過30% (由每桶80美元至每桶約58美元不等)。原油價格影響本集團之能源及原材料成本，特別是塑膠及電力方面。消費市場信心繼續受到油價波動之不利影響。

回顧期內，本集團致力於推動多項策略，展現本集團的決心。本集團首要考慮為緊貼市場之需求，及加強產品組合。便攜式DVD機之銷售營業額為本集團於二零零七年財政年度首半年之總營業額貢獻約26.3%。此外，汽車電子業務亦於二零零六年八月開始經營，於二零零六年九月三十日已配置6條生產線。該業務為本集團之總銷售額貢獻約11,000,000港元。

The sales of home audio products decreased 28.5% and accounted for about 52.7% of total sales. During the period, the United States ("U.S.") remained the Group's largest market followed by Europe. Sales to the U.S. and Europe amounted to HK\$1,583 million (2005: HK\$1,214 million) and HK\$192 million (2005: HK\$220 million) respectively. The significant increase in sales to the U.S. was mainly attributable to fulfillment of certain event sales order for portable DVD players and personal CD players to Wal-mart.

The Group's gross margin dropped to 5.3% compared to 6.7% the same period of FY2006, but which represented a slight increase compared to that of the second half of FY2006. The decrease was mainly attributable to high oil prices, increase in raw material cost and royalties. Moreover, the conventional CD products and standalone DVD players products provided negligible profit contribution to the Group due to intense price competition.

As part of the Group's stated strategy to divest non-core assets, the Group disposed of certain investments during the period. On 15 September 2006, the Group passed an ordinary resolution in the Special General Meeting to dispose its interests in an associate, Metro Capital Securities Limited ("MCS"), for a cash consideration of HK\$20 million.

During the period from 9 June 2006 to 6 October 2006, the Group also disposed of 8,768,000 shares in Hop Fung Group Holdings Limited, representing approximately 2.29% of the issued share capital of Hop Fung Group Holdings Limited, through securities brokerage firms to independent third parties for an aggregate gross consideration of approximately HK\$15.95 million.

PROSPECTS

Sales for the month of October and November in 2006 (excluding the sales for the car mobile division) reached the level of approximately HK\$800 million, mainly due to the shipment of Christmas event sales orders for portable DVD players. However, sales for the remainder of the year are expected to exhibit its normal low seasonal pattern while market conditions should remain challenging. The Group is committed to continue to adapt to a rapidly changing consumer electronics industry. Specifically, the Group will continue to change its product mix and reduce production of the low margin products, and in particular, personal CD players, the demand for which has declined drastically in the past two years as MP3 players and the i-Pods

家庭音響產品之銷售額減少28.5%，佔總銷售額約52.7%。期內，美國仍為本集團之最大市場，其次為歐洲市場。對美國及歐洲之銷售額分別為1,583,000,000港元（二零零五年：1,214,000,000港元）及192,000,000港元（二零零五年：220,000,000港元）。對美國之銷售額大幅增加主要受惠於與沃爾瑪完成便攜式DVD機及個人CD機之若干節日銷售訂單。

與二零零六年財政年度同期本集團之毛利率6.7%比較，本期間之毛利率下降至5.3%，惟較二零零六年財政年度下半年仍輕微上升。毛利率有所下降乃主要由於原油價格高企，原材料成本及專利費用增加。此外，由於傳統CD產品及獨立DVD機產品之價格競爭激烈，故只能為本集團帶來微不足道之溢利貢獻。

作為本集團出售非核心資產之既定策略部份，本集團已於期內出售若干投資。於二零零六年九月十五日，本集團在股東特別大會上通過一項普通決議案，以代價20,000,000港元出售其於聯營公司美高證券有限公司（「美高證券」）之權益。

於二零零六年六月九日至二零零六年十月六日期間，本集團亦已透過證券經紀公司出售其於合豐集團控股有限公司之8,768,000股股份（佔合豐集團控股有限公司已發行股本約2.29%）予獨立第三方，總代價約為15,950,000港元。

前景

二零零六年十月及十一月之銷售額（不包括汽車電子業務）攀升至約8億港元水平，主要受惠於便攜式DVD機之聖誕節日銷售訂單付運。然而，年內餘下月份之銷售額預期仍處於正常淡季狀態，而市況仍挑戰重重。集團致力繼續適應瞬息萬變之消費者電子行業。集團將特別繼續改變其產品組合，減少生產毛利率低之產品，尤其是個人CD機，其需求於過往兩年在MP3機及i-Pod日益普及之情況下大幅下降。基於策略性削減毛利率較低之個人CD機業務，傳

become increasingly popular. With the strategic reduction in low margin business of personal CD players, the sales percentage of conventional home audio products will further decrease from about 52.7% this period to approximately 30% to 35% in FY 2008.

The Group is in the process of shifting to produce more digital products with better margins. Having successfully launched our portable DVD players, the Group will focus on sales of panel display products. For example, digital photo frames in 7", 8" and 9" display screen sizes have been launched to the marketplace with good responses from the customers. We aim to enter into the market quickly to gain a reasonable market share.

Sales for the start-up car mobile division continue to increase, adding about HK\$50 million to the Group's turnover for the months of October and November. Portable navigators in 4" display screen size have received good responses from customers and the Group has accordingly increased production lines for the car mobile business. The Group considers the car mobile business a key opportunity to diversify the product range and improve production capacity utilisation during the conventionally low season (normally December to March) for the consumer electronics business.

Furthermore, oil prices started dropping rapidly in August and plastic resin prices are expected to decline as well. However, as lower plastic resin prices are likely to come after the Group's peak season has been over, the benefit to the Group's future profitability, at least in the short term, should not be substantial.

With the appreciation of Renminbi ("RMB") and increasing labour costs, the business environment for manufacturers in China continues to be difficult. The Group will further consolidate operations of Dongguan plants to Qingyuan Industrial Estate. In particular, the plastic injection and printing operations will be consolidated to Qingyuan by the first quarter of 2007 in order to enjoy lower energy costs there. The Group will also explore OEM business opportunities with new clients to expand its sales revenue base.

Looking ahead, the Group is committed to upgrading its product mix and continually improving cost effectiveness and will strive to overcome the challenges.

統家庭音響產品之銷售百分比將由本期間約52.7%進一步下降至二零零八年財政年度約30%至35%。

集團正處於轉型階段，將生產更多毛利率更高之數碼產品。在成功推出便攜式DVD機後，集團將專注於銷售平面顯示屏產品。例如顯示屏尺寸為7"、8"及9"之數碼照片框架已推出市場，獲得客戶良好反應。集團旨在快速進入市場，以取得合理之市場份額。

處於開展階段之汽車電子業務繼續增長，於十月及十一月為本集團帶來約50,000,000港元之營業額。便攜式4"導航顯示屏獲得客戶理想反應，集團亦已就汽車電子業務增加生產線。本集團認為，在消費者電子業務之傳統淡季（一般為十二月至三月），汽車電子業務在分散現有產品系列及改善產能使用率方面將是一個重要契機。

此外，油價於八月開始急劇下降，塑膠樹脂之價格預期亦會下調。然而，由於塑膠樹脂可能僅於集團旺季結束後才降價，故至少就短期而言，對本集團之未來溢利將不會有重大幫助。

人民幣升值及勞動成本增加令中國內地廠商之營商環境仍然充滿困難。本集團會進一步將東莞廠房之業務整合至清遠工業村，尤其注塑及印刷業務將於二零零七年第一季綜合至清遠，以把握該區能源成本較低之優勢。本集團亦將探索來自新客戶之OEM業務商機，以開拓銷售收入基礎。

展望未來，本集團定將繼續致力提升產品組合及改善成本效益，盡力克服挑戰。