
THIRD QUARTER FINANCIAL STATEMENT ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2004

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS
1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

MULTIVISION INTELLIGENT SURVEILLANCE LIMITED
Group Income Statement
for the Third Quarter ended 31 December 2004
(Expressed in Hong Kong dollars)

	Note	The Group		
		3rd Qtr FY2005	3rd Qtr FY2004	Change
		HK\$'000	HK\$'000	%
Turnover		37,710	34,394	9.6
Cost of sales		(15,405)	(14,870)	3.6
Gross profit		22,305	19,524	14.2
Other income		88	69	27.5
Selling expenses		(5,188)	(4,059)	27.8
Administrative expenses		(4,740)	(3,593)	31.9
Research and development		(3,853)	(1,893)	103.5
Profit from operations		8,612	10,048	(14.3)
Finance cost		-	(4)	NM
Share of loss of an associate		(359)	-	NM
Profit/ (loss) before taxation		8,253	10,044	(17.8)
Taxation		-	(1,607)	NM
Net profit/ (loss) for the period		8,253	8,437	NM
Minority interest		374	-	NM
Profit/ (loss) attributable to shareholders		8,627	8,437	2.3

NM - Not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

MULTIVISION INTELLIGENT SURVEILLANCE LIMITED

Balance Sheet

as at 31 December 2004

(Expressed in Hong Kong dollars)

	Note	The Group		The Company	
		As at 31/12/2004	As at 31/3/2004	As at 31/12/2004	As at 31/3/2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Investment in subsidiary		-	-	19,462	19,462
Investment in an associate		43,383	44,264	-	-
Fixed assets		4,109	3,481	-	-
Intangible assets		62,758	70,526	-	-
Deferred tax assets		590	590	-	-
		110,840	118,861	19,462	19,462
Current assets					
Inventories		19,058	12,694	-	-
Trade receivables		65,910	50,913	-	-
Prepayments, deposits and other receivables		43,320	2,171	11	11
Amount due from subsidiary		-	-	151,991	151,991
Cash and cash equivalents		51,686	79,314	-	-
		179,974	145,092	152,002	152,002
Current liabilities					
Obligations under hire purchase contract		-	-	-	-
Trade and other payables		15,902	14,277	83	83
Amount due to Directors		528	650	-	-
Obligations under finance leases		-	-	-	-
Minority interest		322	-	-	-
		16,752	14,927	83	83
Net current assets		163,222	130,165	151,919	151,919
Non-current liabilities					
Obligation under hire purchase contract		-	-	-	-
Deferred taxation		-	-	-	-
Amount due to holding company		-	-	-	-
Net assets		274,062	249,026	171,381	171,381
Representing:					
Capital and reserves					
Share capital		29,241	29,241	29,241	29,241
Capital contribution reserve		-	-	-	-
Contributed surplus		9,210	9,210	-	-
Shared premium		142,500	142,500	142,500	142,500
Exchange reserve		70	70	-	-
Net profit/ (loss) for period		25,036	15,472	-	-
Retained profits b/f		68,005	52,533	(360)	(360)
		274,062	249,026	171,381	171,381

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/12/2004		As at 31/03/2004	
In HK\$'000		In HK\$'000	
Secured	Unsecured	Secured	Unsecured
0	0	0	0

Amount repayable after one year

As at 31/12/2004		As at 31/03/2004	
In HK\$'000		In HK\$'000	
Secured	Unsecured	Secured	Unsecured
0	0	0	0

Details of any collaterals

Not applicable.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

MULTIVISION INTELLIGENT SURVEILLANCE LIMITED

Group Cash Flow Statement

for the Third Quarter ended 31 December 2004

(Expressed in Hong Kong dollars)

	3rd Qtr FY2005 HK\$'000	3rd Qtr FY2004 HK\$'000
Operating activities		
Profit/(loss) from ordinary activities before taxation	8,627	10,044
Adjustments for:		
Interest expenses	-	4
Interest income	(17)	(24)
Depreciation of fixed assets	215	408
Amortization of intangible assets	3,853	1,893
Amortization of perpetual license	1,400	-
Gain on disposal of fixed assets	-	-
Operating profit before changes in working capital	14,078	12,325
Changes in working capital		
(Increase)/ Decreases in inventories	3,281	(10,409)
(Increase) in trade receivables	(10,536)	(12,328)
Decrease/ (Increase) in prepayment, deposits and other receivables	(772)	(2,635)
(Decrease)/ Increase in trade and other payable	297	(2,384)
(Decrease)/ Increase in amounts due to Directors	128	(120)
Cash generated from operations	6,476	(15,551)
Income tax refunded	-	-
Interest received	17	24
Interest paid	-	(4)
Net cash inflow/ (outflow) from operating activities	6,493	(15,531)
Investing activities		
Payment for purchase of fixed assets	(666)	(734)
Payment for development costs	(2,920)	(2,289)
Prepayment for investment in associate	(10,000)	(20,000)
Proceeds from sales of fixed assets	-	-
Net cash inflow/ (outflow) from operating activities	(13,586)	(23,023)
Financing activities		
Capital contributions	-	-
Repayment of principal under hire purchase contract	-	(33)
Issue of shares	-	-
Share issue expenses	-	-
Net cash inflow from financing activities	-	(33)
Net Increase/(Decrease) in cash and cash equivalents	(7,093)	(38,587)
Cash and cash equivalents at beginning of the period	58,779	117,000
Cash and cash equivalents at end of this period	51,686	78,413
An analysis of cash and cash equivalents in as follows:		
Cash at bank and in hand	51,686	78,413

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

The Group	Share Capital	Contributed Surplus	Statutory Reserves	Share Premium	Other Reserves	Retained Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2004	29,241	9,210	-	142,500	70	84,414	265,435
Surrender of original shares as part of the Group's share capital restructuring	-	-	-	-	-	-	-
Ordinary shares issued nil paid on incorporation and subsequently credited as fully paid as part of the Group's capital restructuring	-	-	-	-	-	-	-
New shares issued for public subscription	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-
Net profit for the quarter	-	-	-	-	-	8,627	8,627
At 31 December 2004	29,241	9,210	-	142,500	70	93,041	274,062
At 1 October 2003	29,241	9,210	-	142,500	-	45,864	226,815
Surrender of original shares as part of the Group's share capital restructuring	-	-	-	-	-	-	-
Ordinary shares issued nil paid on incorporation and subsequently credited as fully paid as part of the Group's capital restructuring	-	-	-	-	-	-	-
New shares issued for public subscription	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	8,437	8,437
At 30 September 2003	29,241	9,210	-	142,500	-	54,301	235,252
The Company	Share Capital	Contributed Surplus	Statutory Reserves	Share Premium	Other Reserves	Retained Profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2004	29,241	-	-	142,500	-	(360)	171,381
Ordinary shares issued nil paid on incorporation and subsequently credited as fully paid as part of the Group's capital restructuring	-	-	-	-	-	-	-
New shares issued for public subscription	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	-	-	-
At 31 December 2004	29,241	-	-	142,500	-	(360)	171,381

At 1 October 2003

29,241

-

-

142,500

-

(150)

171,591

Surrender of original shares as part of the Group's share capital restructuring							
Ordinary shares issued nil paid on incorporation and subsequently credited as fully paid as part of the Group's capital restructuring	-	-	-	-	-	-	-
New shares issued for public subscription	-	-	-	-	-	-	-
Share issue expenses							
Net profit for the year							
At 31 December 2003	<u>29,241</u>	<u>-</u>	<u>-</u>	<u>142,500</u>	<u>-</u>	<u>(150)</u>	<u>171,591</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period on and as at the end of the corresponding period of the immediately preceding financial year.

Nil.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The same accounting policies and methods of computation as our last audited annual financial statement have been applied.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

There is no change in the accounting policies and methods of computation.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	3rd Qtr FY2005	3rd Qtr FY2004
Earnings/ (Loss) per ordinary share for the year after deducting provision for preference dividends:		
(a) Based on the weighted average number of ordinary shares in issue; and	2.07 HK cents	2.02 HK cents
(b) On a fully diluted basis	1.84 HK cents	1.91 HK cents

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	As at 31/12/04	As at 31/3/04
The Company		
Net asset value per ordinary share based on existing issued share capital	HK\$0.41 per share	HK\$0.41 per share
The Group		
Net asset value per ordinary share based on existing issued share capita	HK\$0.66 per share	HK\$0.60 pre share

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Income Statement

The Group registered a 10% growth in turnover from HK\$34.4 million to reach HK\$37.7 million for the third quarter of FY2005 ("3Q FY2005"). This is due to the expansion of distribution sales in major regions that the Group operates including Hong Kong, the PRC, North America and Macau.

Gross profit grew 14% to HK\$22.3 million for 3Q FY2005 from HK\$19.5 million in the previous corresponding period due to sales increase for products such as the solutions-based NetServers, results of aggressive marketing strategies and the successful implementation of some reputable projects.

Distribution and administrative expenses increased correspondingly by 29% to HK\$9.9 million for 3Q FY2005 from HK\$7.7 million due to the increase of sales, administration as well as customer support resources to cope with the expansion of our business.

In 3Q FY2005, product development costs increased 104% to HK\$3.9 million from HK\$1.9 million previously in 3Q FY2004. The increase was mainly due to (i) an increase in amortisation charge of capitalized product development costs which we incurred as a result of our continuous efforts in developing technologically advanced new products in order to maintain our competitive edge in the marketplace; and (ii) the expansion of our Product and Solution team in developing next-generation digital video surveillance technologies.

Balance Sheet

Our intangible assets at 31 December 2004 were reduced 11% to HK\$62.8 million from the balance of HK\$70.5 million ended 31 March 2004.

Inventories increased 50% to HK\$19.1 million at 31 December 2004 from HK\$12.7 million at 31 March 2004 due to higher delivery orders from our Macau distributor for the month of January.

Our prepayments, deposits and other receivables have increased from HK\$2.2 million at 31 March 2004 to HK\$43.3 million at 31 December 2004. This mainly represents a recoverable HK\$30 million prepayment for acquiring a new line of business in the PRC, and a HK\$10 million short term loan to an associate.

Cash Flow

We recorded net cash inflow of HK\$6.5 million from operating activities for 3Q FY2005. This is a marked improvement compared to a cash outflow of HK\$15.5 million for the same period last year.

Cash flow from investing activities recorded outflow of HK\$13.6 million for 3Q FY2005. This is primarily due to a recoverable prepayment for acquiring a new line of business in the PRC. The transaction is not deemed to be significant and the Company shall make full disclosure of the acquisition when the transaction is concluded.

Overall, we recorded a decrease in cash and cash equivalents of approximately HK\$7 million for 3Q FY2005.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable

10. **A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The Group continues to see strong competition in the market and expects competition to be more intense with vendors rolling out aggressive price strategies especially in the low-end products market space. While we have successfully developed products and solutions based on hardware compression technologies and these have been well accepted and adopted by our customers, we are wary of the need to continually enhance and launch innovative products which will give us the competitive edge over our competitors. Our revenue growth has reflected our strength in penetrating the high-end gaming market space. Moving forward, the Group will look to tie up with business partners to diversify our revenue source and broaden our solution offerings from digital video surveillance solutions to include complementary products.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended during the period under review.

By Order of the Board

**Dennis Li Kin Keung
Executive Director**