



Matsunichi 2003/2004



Matsunichi Communication Holdings Limited

Interim Report

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The Directors of Matsunichi Communication Holdings Limited (the "Company") are pleased to submit the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group is principally engaged in the business of manufacturing, research and development, distribution and promotion of its own branded digital and communication electronic products.

For the six months ended 30th September, 2003, the Group achieved a turnover of HK\$221,779,000, representing a decrease of 7.9% as compared to the turnover of HK\$241,026,000 recorded in the same period last year. Profit attributable to shareholders amounted to HK\$25,840,000 as compared to a net loss of HK\$24,815,000 for the last corresponding period.

BUSINESS REVIEW

Consumer Digital Electronics Business

The consumer digital electronics business performed well during the six months under review and it is expected to continue in the current financial year.

Although the world's economy was overshadowed by uncertainties and most of the businesses experienced revenue decline, the Group successfully maintained its business position in the digital electronics industry. In early 2003, the Group has successfully transformed its core business into the manufacturing and promotion of electronic digital products. With the promising result that the Group has achieved from the MP3 players trading business, the Group is committed to continue the development of its digital and communication product lines to include high-end pocket PCs and other digital memory devices, which the management believes have a vast market in the PRC, Hong Kong and overseas.

The strategy of the Group to diversify into the trade of digital audio products has proved to be successful. Sales volume of MP3 players has gradually picked up since the SARS outbreak. Several models of MP3 players with new features have been developed and launched, and are widely accepted by the market. Our marketing team has successfully expanded and diversified the customer base by participating in local and overseas trade exhibitions. The management is therefore confident that the sales performance of the MP3 players business will improve in terms of sales and profitability this year.

Focused on developing the immense potential of the IT market in the PRC, the Group has extended its sales channels and regional offices to major cities, including Shenzhen, Beijing, Shanghai, Xian, Dalian, Chengdu and Wuhan. The "Matsunichi" brand is synonymous with quality, technology and style and is very popular in Hong Kong, the PRC and is gradually gaining international exposure. Matsunichi builds upon its brand equity through powerful and effective advertising and promotional activities such as celebrity endorsements, TV commercials, TV programs and concert title sponsorships. The celebrity campaigns have proven to be incredibly successful.

To cope with the increasing demand for digital electronics products, the Group has planned to expand the production capacity by acquiring a new production plant in Shenzhen, the PRC with 25,000 square meters of floor space to produce LCD TVs, pocket PCs and digital memory devices. In addition, to maintain its competitiveness in the fast growing IT and electronics industry, the Group also plans to establish a new product R&D centre in Taiwan, in addition to our existing R&D centre in the PRC.

Apparel & Peripherals

During the period, the Group disposed of its apparel trading and retailing business ("the disposal") pursuant to a sale and purchase agreement dated 26th September, 2003.

The disposal enabled the Group to realize a profit of HK\$9,215,000 and enabled the Group to best allocate its resources for future investment opportunities.

PROSPECTS

The Group plans to further expand its digital and communication product lines to include high-end digital electronic devices, which the management believes have a vast market in the PRC and Hong Kong. It is expected that in the second half of the year, sales will increase as new products such as LCD TV, Micro Drive recorder, i-mat Pocket PC, digital camera and digital video camcorder will be launched.

The Group's marketing objective is to give the brand increasing international exposure and to become a world-class brand name. With an experienced overseas marketing team, our overseas sales are expected to gradually increase. The Group will continue to strengthen its human resources in order to achieve this.

The management is optimistic about the prospects of long-term investments given the rapid industrialization of the Pearl River Delta and the development of CEPA agreement between the Central Government and the Hong Kong SAR Government. Together with a widening customer base and the successful launches of our new products, the management is confident that the performance of the digital electronics business will continue to make positive contribution to the Group in the coming years.

The Directors and management of the Group are highly positive about the future prospects of the Company. We will continue to seek opportunities for brand extension and product extension to bring satisfactory returns to shareholders.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2002: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources and banking facilities granted by its principal bankers in Hong Kong. As at 30th September, 2003, the Group's gearing ratio is 16% (calculated on the basis of the Group's banking borrowings over shareholders' fund) as compared to 44% as at 31st March, 2003. The Group also maintained a healthy cash position, cash and bank balances as at 30th September, 2003 were approximately HK\$310 million.

The Group's sales and purchase transactions and bank borrowings are primarily denominated in either Hong Kong Dollars, United States Dollars, or in the local currencies of the operating subsidiaries. The Directors considered that the Group had no significant exposure to foreign exchange fluctuations and had no material contingent liabilities as at the reporting date.

Pursuant to the rights issue ("Rights Issue") of 339,391,122 rights shares completed on 29th September, 2003, the Group received net proceeds of approximately HK\$334 million. The net proceeds of the Rights Issue was intended to be applied mainly for the acquisition of production plant and machinery, product development, advertising campaign and working capital. Details of the transaction were disclosed in the circular of the Company dated 8th September, 2003 and the press announcement of the Company dated 29th September, 2003.

STAFF COSTS

The total staff costs incurred for the period under review including directors' remuneration amounted to HK\$11 million (2002: HK\$32 million). The number of staff was approximately 120 as at the reporting date. All employees were under the remuneration policy of fixed monthly salary with commission and discretionary bonus.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

Other than the interests of Mr. Pan Su Tong in the shares of the Company as disclosed in the section headed "Substantial Shareholders", at 30th September, 2003, none of the Directors, chief executives or their associates had or was deemed to have any interests or short positions in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")).

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2003, so far as known to the Directors, the persons or companies who had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of substantial shareholder	Percentage	Number of shares
Jade Forest Limited (“Jade Forest”) (<i>Note</i>)	67.02	341,202,894
Mr. Pan Su Tong (潘蘇通先生) (<i>Note</i>)	67.02	341,202,894

Note: Jade Forest was 100% owned by Mr. Pan Su Tong as at 30th September, 2003. Accordingly, Mr. Pan Su Tong was deemed to be interested in the 341,202,894 shares held by Jade Forest.

Save as disclosed above, as at 30th September, 2003, the Directors were not aware of any other persons who had any interests or short positions in the share capital of the Company that was required to be recorded under Section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 30th September, 2003, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the relevant period.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of two independent non-executive directors. The Audit Committee has reviewed and confirmed the unaudited interim results announcement and report for the six months ended 30th September, 2003.

By order of the Board
Pan Su Tong
Chairman

Hong Kong, 22nd December, 2003

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**Deloitte
Touche
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TO THE BOARD OF DIRECTORS OF MATSUNICHI COMMUNICATION HOLDINGS LIMITED

INTRODUCTION

We have been instructed by the Company to review the interim financial report for the six months ended 30th September, 2003 set out on pages 7 to 20.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors of the Company.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the management of the Company and its subsidiaries and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th September, 2003.

Deloitte Touche Tohmatsu
Hong Kong, 22nd December, 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

		Six months ended	
		30.9.2003	30.9.2002
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	3	221,779	241,026
Cost of sales		(149,960)	(191,282)
Gross profit		71,819	49,744
Other operating income		763	3,714
Distribution costs		(34,571)	(38,050)
Administrative expenses		(20,202)	(35,879)
Other operating expenses		–	(2,742)
Profit (loss) from operations	4	17,809	(23,213)
Finance costs		(1,184)	(1,520)
Gain (loss) on disposal of subsidiaries		9,215	(39)
Share of results of associates		–	(100)
Profit (loss) before taxation		25,840	(24,872)
Taxation	5	–	26
Profit (loss) before minority interests		25,840	(24,846)
Minority interests		–	31
Profit (loss) attributable to shareholders		25,840	(24,815)
Earnings (loss) per share – basic	7	HK15.36 cents	HK(21.06) cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH SEPTEMBER, 2003

	Notes	30.9.2003 (unaudited) HK\$'000	31.3.2003 (audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	137,312	60,004
Deposits for acquisition of property, plant and equipment		10,858	–
Interests in unconsolidated subsidiaries		–	7,525
Other assets		90	90
		148,260	67,619
Current assets			
Inventories		67,609	63,841
Trade and other receivables	9	127,720	80,859
Pledged bank deposits		600	600
Cash and bank balances		309,660	39,144
		505,589	184,444
Current liabilities			
Trade and other payables	10	26,856	21,037
Bills payable		6,568	4,635
Amount due to ultimate holding company		835	2,215
Taxation payable		1,231	1,231
Bank borrowings	11	86,707	64,240
Other borrowings		–	5,000
Obligations under finance leases – amount due within one year		82	79
		122,279	98,437
Net current assets		383,310	86,007
		531,570	153,626
Capital and reserves			
Share capital	12	25,454	7,071
Reserves		505,891	138,763
		531,345	145,834
Non-current liabilities			
Amounts due to unconsolidated subsidiaries		–	7,525
Obligations under finance leases – amount due after one year		225	267
		225	7,792
		531,570	153,626

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1st April, 2002	5,893	329,237	1,263	–	(209,685)	126,708
Loss attributable to shareholders	–	–	–	–	(24,815)	(24,815)
Balance at 30th September, 2002	5,893	329,237	1,263	–	(234,500)	101,893
Balance at 1st April, 2003	7,071	351,013	–	3,605	(215,855)	145,834
Issue of new shares (note 12)	18,383	346,464	–	–	–	364,847
Expenses incurred in connection with issue of shares	–	(5,565)	–	–	–	(5,565)
Exchange difference arising on translation of overseas subsidiaries not recognised in the income statement	–	–	389	–	–	389
Profit attributable to shareholders	–	–	–	–	25,840	25,840
Balance at 30th September, 2003	25,454	691,912	389	3,605	(190,015)	531,345

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

		Six months ended	
		30.9.2003	30.9.2002
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Net cash used in operating activities		(93,384)	(46,156)
Net cash (used in) from investing activities		(74,817)	68,574
Net cash from financing activities	13	438,717	92,201
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Increase in cash and cash equivalents		270,516	114,619
Cash and cash equivalents at the beginning of the period		39,144	8,986
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Cash and cash equivalents at the end of the period		309,660	123,605
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Analysis of cash and cash equivalents at the end of the period			
Cash and bank balances		309,660	123,607
Bank overdraft		-	(2)
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		309,660	123,605
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2003

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31st March, 2003, except as described below.

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes" ("SSAP 12 (Revised)") issued by the HKSA. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments.

Six months ended 30th September, 2003

	Continuing operations	Discontinuing operations	
	Digital audio products manufacturing and trading HK\$'000	Apparel trading HK\$'000	Consolidated HK\$'000
Turnover			
External sales	178,955	42,824	221,779
Segment results	23,464	(2,777)	20,687
Interest income			5
Interest expenses			(1,184)
Corporate general and administrative expenses			(2,883)
Gain on disposal of subsidiaries			9,215
Profit before taxation			25,840

Six months ended 30th September, 2002

	Continuing	Discontinuing operations			Consolidated
	operations				
	Digital audio		Marine	Printing	
	products	Apparel	product	and	
	manufacturing	trading	trading	publishing	
	and trading				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External sales	–	71,754	25,847	143,425	241,026
Segment results	–	(6,940)	(2,302)	(10,026)	(19,268)
Interest income					27
Interest expenses					(1,520)
Corporate general and administrative expenses					(3,972)
Loss on disposal of a subsidiary					(39)
Share of results of associates	–	–	–	(100)	(100)
Loss before taxation					(24,872)

4. PROFIT (LOSS) FROM OPERATIONS

Six months ended	
30.9.2003	30.9.2002
(unaudited)	(unaudited)
HK\$'000	HK\$'000

Profit (loss) from operations has been arrived at after charging:

Amortization of intangible assets included in the administrative expenses	–	978
Depreciation and amortization	2,824	9,081

5. TAXATION

No provision of Hong Kong Profits Tax has been made as there were no assessable profits for both periods. The taxation credit in the prior period represented overprovision of Hong Kong Profits Tax made in prior years.

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2003 (2002: nil).

7. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share are based on the following data:

	Six months ended	
	30.9.2003	30.9.2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings (loss) for the purpose of basic earnings (loss) per share	25,840	(24,815)
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	Number of shares	
	30.9.2003	30.9.2002
		(restated)
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share (<i>Note</i>)	168,266,218	117,851,561
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No diluted earnings per share has been presented for the current period as the exercise price of the Company's options was higher than the average market price of the Company's shares.

No diluted loss per share figure for the prior period was presented as there were no dilutive potential ordinary shares outstanding in that period.

Note: The weighted average number of ordinary shares issued during the six months ended 30th September, 2002 was restated as the result of the share consolidation for which every five shares were consolidated into one consolidated share and the rights issue of two rights shares for one consolidated share during the current period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment (including acquisition of subsidiary) of approximately HK\$81,377,000 and also disposed of property, plant and equipment (including disposal of certain subsidiaries) with aggregate net book value of approximately HK\$1,245,000.

9. TRADE AND OTHER RECEIVABLES

The Group currently allows credit periods ranging from 30 days to 90 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.9.2003 (unaudited) HK\$'000	31.3.2003 (audited) HK\$'000
0 – 30 days	77,522	18,801
31 – 90 days	42,620	40,457
91 – 180 days	743	4,564
Over 180 days	484	5,403
	121,369	69,225
Other receivables, deposits and prepayments	6,351	11,634
	127,720	80,859

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.9.2003 (unaudited) HK\$'000	31.3.2003 (audited) HK\$'000
0 – 90 days	6,378	4,469
91 – 180 days	538	167
Over 180 days	296	3,686
	7,212	8,322
Other payables and accrued expenses	19,644	12,715
	26,856	21,037

11. BANK BORROWINGS

During the period, the Group obtained new bank loans and trust receipt loans amounting to approximately HK\$109,409,000 and repaid loans amounting to approximately HK\$86,942,000. The loans bear interest at prevailing market rates and are repayable within one year. The borrowings were used to finance the Group's working capital requirements and trading activities.

12. SHARE CAPITAL

	<i>Notes</i>	Nominal value per share HK\$	Number of shares	Amount HK\$
Authorised:				
At 1st April, 2003		0.01	50,000,000,000	500,000
Consolidation of shares	<i>(a)</i>		(40,000,000,000)	–
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At 30th September, 2003		0.05	10,000,000,000	500,000
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Issued and fully paid:				
At 1st April, 2003		0.01	707,057,804	7,071
Issue of new shares by way of placement	<i>(b)</i>	0.01	141,400,000	1,414
Issue of new shares on exercise of share options	<i>(c)</i>	0.01	20,001	–
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			848,477,805	8,485
Consolidation of shares	<i>(a)</i>		(678,782,244)	–
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		0.05	169,695,561	8,485
Rights issue of shares	<i>(d)</i>	0.05	339,391,122	16,969
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At 30th September, 2003			509,086,683	25,454
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Notes:

- (a) Pursuant to ordinary resolutions passed at the special general meeting of the Company held on 8th September, 2003, the share consolidation was effected that every five issued and unissued then existing shares were consolidated into one consolidated share. The nominal value of issued shares in the share capital of the Company was increased from HK\$0.01 to HK\$0.05 each.
- (b) On 9th April, 2003, Jade Forest Limited ("Jade Forest"), a substantial shareholder of the Company, agreed to place 141,400,000 shares of HK\$0.01 each in the Company to independent investors at a price of HK\$0.18 per share. The placing price represented a discount of 10% to the closing price of HK\$0.20 per share as quoted on The Stock Exchange of Hong Kong Limited on 9th April, 2003.

On the same date, Jade Forest agreed to subscribe for 141,400,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.18 per share. The shares to be subscribed amounted to 20% of the then existing share capital and 16.67% of the enlarged issued share capital of the Company. The shares were allotted and issued on 22nd April, 2003.

The net proceeds of the subscription of approximately HK\$25 million were used for the expansion of the Group's communication related business and as general working capital of the Group.

- (c) Pursuant to an ordinary resolution passed on 25th August, 2003, the Company granted share options to an employee and the employee exercised the share options on the same date at a price of HK\$0.2518 per share.
- (d) Rights issue of 339,391,122 shares of HK\$0.05 each at a subscription price of HK\$1 per rights share were allotted on 30th September, 2003 to the shareholders of the Company in the proportion of two rights shares for every consolidated share then held.

The net proceeds of the rights issue were applied for expanding the Group's communication related business and for general working capital purposes. All shares issued rank pari passu with the then existing shares in issue in all respects.

13. NET CASH FROM FINANCING ACTIVITIES

Net cash from financing activities for the current period includes the cash from the issue of shares, net of expenses, of approximately HK\$359,282,000 during the period.

14. DISPOSAL OF SUBSIDIARIES**Discontinuing operations**

On 26th September, 2003, the Group entered into a sale agreement to dispose of the entire equity interests in Hamlet Profits Limited and its subsidiaries ("Hamlet Profits Group"), which was engaged in apparel trading operations. The disposal was completed on the same date, on which date control of Hamlet Profits Group passed to the purchaser.

The results of the apparel trading operations for the interim reporting period were as follows:

	1.4.2003	1.4.2002
	to	to
	26.9.2003	30.9.2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue	42,824	71,754
Operating costs	(45,601)	(78,694)
Loss for the period	(2,777)	(6,940)
Finance costs	(553)	(500)
Loss before taxation	(3,330)	(7,440)

The effect of the disposal is summarized as follows:

	HK\$'000
Net liabilities disposed of	(310,674)
Amounts due from subsidiaries disposed of	306,799
Profit on disposal	9,215
Total consideration	5,340
Satisfied by:	
Cash consideration	5,340
Net cash inflow arising on disposal:	
Cash received	5,340
Cash and Bank balances disposed of	(871)
	4,469

On 22nd July, 2002 and 28th January, 2003, the Group discontinued its printing and publishing operations and marine product trading at the time of disposal of its subsidiaries, Island Gold Developments Limited, Grand Allied Profits Limited and their subsidiaries respectively.

15. COMMITMENTS

Capital commitments

	30.9.2003	31.3.2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of properties under development in Malaysia (<i>Note</i>)	–	105,281
– acquisition of property, plant and equipment	–	1,334
	–	106,615
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	131,500	–
	131,500	106,615

Note: After disposal of Hamlet Profits Group, no more capital commitment for the acquisition of properties under development in Malaysia is noted for current period.

Other commitments

At the reporting date, the Group had commitments for future minimum license fee payment in respect of licensing arrangements which fall due as follows:

	30.9.2003	31.3.2003
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Within one year	3,703	3,560
In the second to fifth year inclusive	4,085	5,992
	7,788	9,552

At the balance sheet date, the Group had entered into an agreement in relation to the research and development of a new product. The contract sum committed by the Group, net of the deposit paid, is approximately HK\$10,687,000 (31.3.2003: HK\$10,687,000) and will fall due within one year.

16. RELATED PARTY TRANSACTION

On 31st July, 2003, the Group entered into a purchase agreement to acquire the entire equity interests in Best Concord Group Limited, which beneficially owns the land and plant under construction situated at Shenzhen, People's Republic of China, from Matsunichi Communications (Hong Kong) Limited, a company which is wholly and beneficially owned by Mr. Pan Su Tong, a director and a substantial shareholder of the Company, at a consideration of HK\$78,000,000. The remaining balance payable outstanding as at 30th September, 2003 of HK\$11,700,000 was included in the other payables in the balance sheet which shall be payable upon completion of the practical construction work of the plant and due registration of the title of the plant in the name of Best Concord Group Limited, with all necessary licences for commencing operation of the plant by Best Concord Group Limited having been obtained.