

On behalf of the Board of Directors, I am pleased to present the annual report of Matsunichi Communication Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31st March, 2005.

Digital electronic products are rapidly becoming highly sought-after mainstream consumer products globally, and the Group's performance in the 2004/2005 financial year reflected this trend in both its turnover and profits. The Group certainly did not simply sit back and ride global trends, however. We initiated significant increases in our ODM business in the US during the year and captured important new customers, while in China we worked to open up new markets for our own-brand products in north-western cities, where our products were enthusiastically welcomed. At a more general level, the Group's ongoing expansion of its range of digital electronic products gave us a wider product base and hence positioned us well to cater to growing demand worldwide.

Faced by large-scale growth in turnover, the Group had to improve productivity to meet higher demand, as well as plan ways of financing the rapid growth in its operations. The commencement of production from the modern manufacturing facilities at the new production plant located in Shenzhen in the first half of the year addressed the first of these issues, while the placement of 80 million new shares in the second half of the year has not only raised funds for the development of new digital products including new models of MP3 players and portable media players, but has also enhanced the Group's capital base and strengthened its financial position. Additionally, it has attracted a new investor base of institutional investors.

With MP3 products rapidly becoming essential lifestyle accessories around the world, the Group has worked over the year to ensure its brand image is in keeping with the young, aspiring and internationally-focused target consumers of these products. Our recent contract with multiple Olympic gold medalist swimmer Michael Phelps is one area where the Group's brand value looks set to be significantly enhanced over the coming years. The Group's acquisition of sole use of the 'Matsunichi' trade marks has ensured that from now on we will have complete control of every product and marketing activity associated with our trade marks and associated logo, and will be able to fully capitalize on the associated brand equity.

本人謹此代表董事會，欣然提呈松日通訊控股有限公司（「本公司」）及其附屬公司（「本集團」）截至二零零五年三月三十一日止年度之年報。

數碼電子產品已迅速成為全球最受歡迎之主流消費產品，本集團二零零四／二零零五財政年度之營業額及溢利表現正好反映這個趨勢。然而，本集團並無安於現狀，並倚賴全球趨勢。本集團於年內大力發展美國之原創設計製造（ODM）業務，成功吸納多個新主要客戶。至於中國市場方面，本集團致力於西北區城市為集團本身品牌產品開拓新市場，本集團產品在當地深受好評。整體而言，本集團持續擴充其數碼電子產品系列，此舉不單擴闊了產品基礎，亦有助集團掌握優勢，應付全球日益增加之需求。

面對營業額大規模之增長，本集團一方面要提高生產力，以滿足較高之需求，另一方面須擬定籌集加快發展營運所需資金之方法。座落於深圳市之新生產廠房之現代化生產設施於上半年度投產，解決了首個問題。本集團於下半年度配售80,000,000股新股份，既能集資開發新數碼產品，包括新型號之MP3播放機及手提多媒體播放機，亦鞏固了本集團之資本基礎，加強其財政狀況。此外，亦吸納了由機構投資者組成之新投資組合。

隨著MP3產品迅速成為全球必需之時尚配件，本集團年內一直努力確保該等產品之品牌形象緊貼全球年輕而有朝氣之目標顧客。本集團最近與多項奧運金牌游泳選手菲爾普斯（Michael Phelps）簽訂合約，是來年大幅提升本集團品牌價值之其中一個策略。本集團收購「松日」商標之獨家使用權，已確保本集團今後可完全控制每件產品以及與本集團商標及相關標誌有關之市場推廣活動，並充份發揮相關品牌之權益。

Global styles and technologies in digital entertainment and storage solutions are constantly changing. To stay abreast of a huge but increasingly sophisticated consumer base, we will be launching new products and models that cater for every preference and budget over the coming year. One of the Group's goals is to gain market share in the global marketplace and we are working towards this not simply by diversifying our products and models, but by launching a series of carefully targeted promotional campaigns partly based on effective celebrity endorsement.

As a result of the Group's focused efforts, I believe Matsunichi is extremely well-placed to continue its momentum in the year to come. Having established solid ODM business in the US and a foothold for both ODM and OBM business growth in Europe, the Group is ready to take advantage of the groundswell of enthusiasm in both these markets for powerful, stylish and well-designed digital products such as those we create.

During the period under review, the Group has appointed Mr. Siu Wai Yip, James, Assistant General Manager of Matsunichi Communication Holdings Limited, Mr. Huang Hui, and Mr. Dong Zhi Qiang, General Manager and Assistant General Manager of Matsunichi Information Technology (Shenzhen) Co., Ltd. respectively, as Executive Directors. Their expertise and invaluable industry experience will further enhance the Board's effective governance and boost the Group's continuous growth. Meanwhile, Mr. Chung Kwan Yat, who joined the Board as an Executive Director in 2002, has resigned on his own accord. I would like to express my sincere thanks to Mr. Chung for the contributions he made for the Group.

On behalf of the Board of Directors, I would like here to register my thanks and recognition towards our management team and employees. Their dedication and commitment to the Group has been vital in achieving the successes of the past year. Thanks are due also to our highly-valued customers, our business associates and of course our shareholders for their loyalty and support over the year.

Chairman
Pan Su Tong

全球數碼娛樂及儲存方式之款式及技術可謂日新月異。為了能追上龐大而日趨成熟之顧客基礎，本集團將於來年推出新產品及型號，照顧不同顧客之喜好及預算。本集團其中一個目標是在全球市場上佔一席位，為此本集團不單將產品及型號作多元化發展，更採取有效之名人效應方法，推出一系列精心策劃之目標宣傳活動。

由於本集團之努力經營，本人深信松日已蓄勢待發，於來年繼續大展拳腳。繼於美國發展穩固之原創設計製造 (ODM) 業務，並在歐洲打好原創設計製造 (ODM) 及原創品牌製造 (OBM) 業務之根基後，本集團已作好準備，把握該等市場對性能超卓、有品味而設計新穎之數碼產品 (例如本集團之產品) 需求殷切所帶來之商機。

於回顧期間，本集團已委任松日通訊控股有限公司之副總經理蕭偉業先生以及松日信息科技 (深圳) 有限公司之總經理黃暉先生及副總經理董志強先生為執行董事。彼等之專業知識及寶貴業內經驗將進一步提高董事會之管治效能，刺激本集團之持續增長。此外，於二零零二年加入董事會擔任執行董事之叢筠日先生已因個人意願辭任。本人謹此感謝叢先生過往為本集團所作之貢獻。

本人謹代表董事會，感謝及表揚本集團之管理層及僱員，彼等之竭誠與努力對本集團過去一年之成功至為關鍵。本人亦向本集團之尊貴客戶、商業夥伴及股東一直以來之忠誠及支持表示衷心感謝。

主席
潘蘇通