NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

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 31 March 2005 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Share-based Payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment", which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors', employees' and other participants' share options of the Company determined at the date of grant of the share options over the vesting period.

Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated. The change in policy has resulted in a decrease of HK$5,589,000 in net profit in the current period (2004: HK$3,071,000), a decrease of HK$6,456,000 in accumulated profits at 31 March 2005 (31 March 2004: HK$940,000) and an increase of HK$6,456,000 in share-based compensation reserve at 31 March 2005 (31 March 2004: HK$940,000).

Owner-occupied Leasehold Interest in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost method. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight line basis. Where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. As the directors consider the allocation between the land and buildings elements cannot be made reliably, no restatement has been made in the financial statements.

Financial Instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no impact on the presentation of financial instruments in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit and loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no material effect on the recognition and measurement of financial assets and financial liabilities of the Group.

Derecognition

HKAS 39 provides more rigorous criteria for the derecognition of financial assets than the criteria applied in previous periods. Under HKAS 39, a financial asset is derecognised, when and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition in accordance with HKAS 39. The decision as to whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The Group has applied the relevant transitional provisions and applied the revised accounting policy prospectively for transfers of financial assets on or after 1 January 2005. As a result, the Group's bills receivable with full recourse which were derecognised prior to 1 January 2005 have not been restated. As at 30 September 2005, the Group's bills receivable with full recourse have not been derecognised. Instead, the related borrowings of HK$2,418,000 have been recognised on the balance sheet date. This change has had no material effect on the results for the current period.

Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the following new Standards or Interpretations ("Int") that have been issued but are not yet effective. The directors anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests Arising from Decommissing, Restoration and Environmental Rehabilitation Funds

3. SEGMENT INFORMATION

The Group currently has one business segment of development and sale of digital consumer products. The Directors considered that the geographical segments by market, irrespective of the origin of the goods/services, is the primary segment.

Six months ended 30 September 2005

	Europe *HK$'000*	USA *HK$'000*	Hong Kong *HK$'000*	Other regions in the PRC *HK$'000*	Taiwan *HK$'000*	Others *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover								
External sales	227,415	499,008	20,488	329,275	30,493	67,971	–	1,174,650
Inter-segment sales	1,581	–	79,921	103,399	9,602	–	(194,503)	–
Total	228,996	499,008	100,409	432,674	40,095	67,971	(194,503)	1,174,650
Segment results	33,368	73,142	5,944	48,248	4,470	9,963	–	175,135
Interest income								3,396
Unallocated corporate expenses								(11,329)
Profit from operations								167,202
Finance costs								(12,654)
Profit before taxation								154,548
Taxation								(2,383)
Profit for the period								152,165

Six months ended 30 September 2004

	USA	Hong Kong	Other regions in the PRC	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover					
External sales	705,974	11,273	85,840	14,100	817,187
Segment result	129,604	1,250	9,505	2,935	143,294
Interest income					1,285
Finance costs					(4,896)
Unallocated corporate expenses					(8,271)
Profit after taxation					131,412

4. OTHER OPERATING INCOME

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Reversal of allowance for bad and doubtful debts	**19,108**	–
Gain on disposal of machinery held for sale	**2,878**	–
Interest income	**3,396**	1,285
Others	**1,142**	322
	26,524	1,607

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**14,397**	12,501
Amortisation of trade marks	**5,740**	–
Interest on:		
Bank borrowings wholly repayable within five years	**12,461**	4,187
Finance leases	**193**	749

6. TAXATION

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
The charge comprises:		
The Company and subsidiaries:		
Hong Kong Profits Tax	**–**	(15,579)
PRC Enterprise Income Tax	**(2,383)**	–
	(2,383)	(15,579)
Deferred taxation charge	**–**	(109)
	(2,383)	(15,688)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not have any assessable profit in Hong Kong in the current period.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the prior period. Taxation arising in other countries or other regions in the PRC is calculated at the rates prevailing in the relevant jurisdiction. Pursuant to relevant laws and regulations in the PRC, certain subsidiaries of the Group are entitled to exemption from Enterprise Income Tax under certain tax holidays and concessions.

7. DIVIDENDS

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interim dividend of HK5 cents (2004: nil) per share	**34,344**	–
Special dividend of HK7 cents (2004: nil) per share	**48,081**	–
	82,425	–

On 9 September 2005, a dividend of HK1.5 cents per share (2004: nil) was paid to shareholders as the final dividend for 2005.

The directors have resolved to pay an interim dividend of HK5 cents per share (2004: nil) and a special dividend of HK7 cents per share (2004: nil) to the shareholders of the Company whose names appear on the register of members of the Company on 6 January 2006.

8. **EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share are based on the following data:

	Six months ended	
	30.9.2005	30.9.2004
	(unaudited)	(unaudited)
		(restated)
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the Company)	**152,165**	131,412
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**671,192,519**	509,086,863
Effect of dilutive potential ordinary shares – share options	**8,388,284**	4,573,462
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**679,580,803**	513,660,325

The adjustment to the comparative basic and diluted earnings per share arising from the changes in accounting policies is as follows:

	Basic	**Diluted**
	HK cents	*HK cents*
Reconciliation of earnings per share for the six months ended 30 September 2004:		
As originally stated	26.42	26.18
Adjustment arising from the changes in accounting policies	(0.61)	(0.60)
As restated	25.81	25.58

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK$5,366,000 (2004: HK$41,718,000) and disposed of property, plant and equipment with an aggregate net book value of approximately HK$126,000 (2004: HK$1,062,000).

In the opinion of the directors in relation to the completion of due registration of the title of certain property, plant and equipment as described in note 12 to the Group's annual audited financial statements for the year ended 31 March 2005, such registration of the title has not yet completed as at 30 September 2005.

10. TRADE AND OTHER RECEIVABLES

The Group currently allows credit periods ranging from 30 days to 180 days to its trade customers. Longer credit periods are granted to several well established customers with long business relationship.

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

	30.9.2005	31.3.2005
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 – 30 days	**204,237**	163,778
31 – 90 days	**300,875**	113,620
91 – 180 days	**254,089**	247,404
Over 180 days	**10,314**	109,833
	769,515	634,635
Other receivables	**19,460**	24,789
	788,975	659,424

11. TRADE AND OTHER PAYABLES

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

	30.9.2005	31.3.2005
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 – 90 days	**77,650**	192,544
91 – 180 days	**7,115**	42,923
Over 180 days	**30,200**	29,137
	114,965	264,604
Other payables	**75,745**	55,154
	190,710	319,758

12. AMOUNT DUE TO A RELATED COMPANY

The amount was owed to Matsunichi Communications (Hong Kong) Limited of which Mr. Pan Su Tong, a director of the Company, is the ultimate shareholder and a director. The amount will be fully repaid upon completion of registration of the title of the property, plant and equipment as described in note 9.

13. BANK BORROWINGS

During the period, the Group obtained new bank loans and trust receipt and import loans amounting to approximately HK$1,117,030,000 (2004: HK$521,863,000) and repaid loans amounting to approximately HK$718,442,000 (2004: HK$277,724,000). The bank loans bear interest at prevailing market rates and are repayable within one year.

14. OBLIGATIONS UNDER FINANCE LEASES

During the period, the Group repaid obligations under finance leases amounting to approximately HK$26,090,000 (2004: HK$6,009,000).

15. SHARE CAPITAL

Ordinary shares of HK$0.05 each

	Number of shares	Amount
		HK$'000
Authorised:		
At 1 April 2005 and 30 September 2005	10,000,000,000	500,000
Issued and fully paid:		
At 1 April 2005	669,086,683	33,454
Issue of new shares upon exercise of share options	6,250,000	313
Shares repurchased and cancelled	(3,462,000)	(173)
At 30 September 2005	671,874,683	33,594

16. PLEDGE OF ASSETS

At the balance sheet date, certain borrowings of the Group were secured by the bank deposits of approximately HK$1,283,000 (31 March 2005: HK$3,430,000).

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2005, the Group paid rental charges of HK$222,000 (2004: HK$222,000) to Matsunichi Properties Holdings (HK) Limited, a company in which Mr. Pan has a beneficial interest.

18. CONTINGENT LIABILITIES

During the year ended 31 March 2005, Matsunichi Hi-Tech Limited ("MHT") received a summons from an independent third party ("ITP"). The ITP claimed MHT and others were infringing and/or inducing infringement of 5 patents of ITP in relation to a product designed and manufactured by a supplier of MHT (the "Supplier"). MHT had subsequently entered into an indemnity agreement with the Supplier whereby the Supplier agreed to indemnify MHT for all costs and damages resulted from the claim. As at the date of this report, the litigation is still outstanding. The directors of the Company are of the view that the claim made by the ITP is groundless. Accordingly, no provision is therefore considered necessary in the financial statements.

In addition, there is a claim by a customer against MHT on the alleged basis of the breach of an agreement for development and manufacture of PDA products. On 16 September 2005, MHT and the aforesaid customer agreed to settle the claim by entering into a settlement agreement. The settlement did not have any material financial impact to the financial statements of the Group.

19. POST BALANCE SHEET EVENT

On 1 November 2005, 15,000,000 ordinary shares of the Company were issued and allotted to Jade Forest Limited (being nominee of Matsunichi International Holdings Limited) as consideration for the acquisition of the PRC trademarks upon completion of the PRC trade marks agreement as disclosed in note 13 to the Group's annual audited financial statements for the year ended 31 March 2005. The aforesaid shares were valued at a price of HK$1.47 each, being the closing price of the Company's shares on the same date on which the Group has taken control of the PRC trade marks.