NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended December 31, 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 (the "Stock Exchange") and with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Pursuant to a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange (the "Group Reorganisation"), the Company became the holding company of the Group on March 17, 2005. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated April 28, 2005.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group for the period ended December 31, 2004 have been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting in accordance with the Statement of Standard Accounting Practice No. 27 "Accounting for the Group Reconstructions" issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended June 30, 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 ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after January 1, 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. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively.

The adoption of the new HKFRSs has also 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:

(i) Business combinations

HKFRS 3 "Business Combination" is effective for business combinations for which the agreement date is on or after January 1, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. Goodwill arising on acquisitions after July 1, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition.

Excess of the Group's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The adoption of HKFRS 3 has had no material effect on the results for the current period.

(ii) 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 model. 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. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, 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.

(iii) 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 and the adoption of the standard has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after January 1, 2005, generally does not permit the recognition, derecognition or measurement of 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

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.

Classification and measurement of financial liabilities

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 adoption of HKAS 39 has had no material effect on the Group's accumulated profits.

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 July 1, 2005. As a result, the Group's bills receivables discounted with full recourse which were derecognised prior to July 1, 2005 have not been restated. As at December 31, 2005, the Group's bills receivables discounted with full recourse with carrying amount of HK$16,214,000 have not been derecognised. Instead, the related borrowings of HK$16,214,000 have been recognised on the balance sheet. This change has had no material effect on the results for the current period.

(iv) 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 ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company, determined at the date of grant of the share options over the vesting period.

As the share options of the Company were first granted during the period, no comparative figures have been restated.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company has commenced considering the potential impact of these standards or interpretations but is not yet in a position to determine whether these new standards and interpretations would have a significant impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market–waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] *Effective for annual periods beginning on or after January 1, 2007.*
[2] *Effective for annual periods beginning on or after January 1, 2006.*
[3] *Effective for annual periods beginning on or after December 1, 2005.*
[4] *Effective for annual periods beginning on or after March 1, 2006.*

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The changes in the accounting policies described in note 2 have had no material effect on the results for the six months ended December 31, 2005 and 2004.

The cumulative effects on the balance sheet of the changes in the accounting policies described in note 2 are as follows:

	At June 30, 2005 (as originally stated)	Effect of HKAS 17	At June 30, 2005 (as restated)
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	212,165	(13,582)	198,583
Prepaid lease payments – non-current portion	–	13,279	13,279
Prepaid lease payments – current portion	–	303	303
Total effects on assets	212,165	–	212,165

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions – digital television reception products, connectors and cables and communication related products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Digital television reception products	–	manufacture and trading of digital television reception products
Connectors and cables	–	manufacture and trading of connectors and cables
Communication related products	–	manufacture and trading of assorted electronic accessories

Six months ended December 31, 2005

	Digital television reception products *HK$'000*	**Connectors and cables** *HK$'000*	**Communication related products** *HK$'000*	**Total** *HK$'000*
REVENUE				
External sales	332,199	146,811	104,886	583,896
RESULT				
Segment result	38,916	24,122	(6,969)	56,069
Other income				14,919
Unallocated corporate expenses				(34,388)
Finance costs				(4,344)
Profit before taxation				32,256
Income tax expense				(2,273)
Profit for the period				29,983

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Six months ended December 31, 2004

	Digital television reception products HK$'000	Connectors and cables HK$'000	Communication related products HK$'000	Elimination HK$'000	Total HK$'000
REVENUE					
External sales	432,381	153,905	105,023	–	691,309
Inter-segment sales	–	5,041	–	(5,041)	–
Total	432,381	158,946	105,023	(5,041)	691,309
RESULT					
Segment result	52,784	26,317	4,730	–	83,831
Other income					13,943
Unallocated corporate expenses					(37,872)
Finance costs					(3,666)
Profit before taxation					56,236
Income tax expense					(3,058)
Profit for the period					53,178

Inter-segment sales were charged at cost plus a percentage of profit mark-up.

5. PROFIT BEFORE TAXATION

	Six months ended December 31, 2005 HK$'000	2004 HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	**154**	151
Depreciation of property, plant and equipment	**14,790**	12,732
and after crediting:		
Bank interest income	**(725)**	(401)

6. INCOME TAX EXPENSE

	Six months ended December 31, 2005 HK$'000	2004 HK$'000
The tax charge comprises:		
Current period		
Taxation in other jurisdiction	**2,091**	3,003
Deferred tax charge	**182**	55
	2,273	3,058

No provision for Hong Kong Profits Tax has been made for the current and prior period as the subsidiary operating in Hong Kong incurred a tax loss.

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), one of the subsidiaries established in the PRC is entitled to exemption from the PRC enterprise income tax for the first two years commencing from their first profit-making year of operations and thereafter, the PRC subsidiary will be entitled to a 50% relief from the PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is 12% ("Reduced Tax Rate"). After the expiry of the tax relief period on December 31, 2004, the PRC subsidiary has applied for Reduced Tax Rate as it qualified as an export-oriented enterprise.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the period (7.1.2004 to 12.31.2004: Nil).

On October 19, 2005, a dividend of HK6.9 cents per share was declared as the final dividend for the year ended June 30, 2005. The dividend was paid on January 10, 2006.

8. SHARE OPTIONS

The Company has a share option scheme for eligible employees of the Group. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	–
Granted during the period	6,520,000
Forfeited during the period	(340,000)
Outstanding at the end of the period	6,180,000

As mentioned in note 2, the Group has, for the first time, applied HKFRS 2 "Share-based Payments" to account for its share options in the current period. In accordance with HKFRS 2, fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In the current period, an amount of share option expense of HK$85,000 has been recognised in the current period, with a corresponding adjustment recognised in the Group's share option reserve.

The closing price of the Company's shares immediately before July 30, 2005, the date of grant of the options, was HK$1.02.

The fair values of the options determined at the dates of grant using the Black-Scholes option pricing model were HK$698,000.

The following assumptions were used to calculate the fair values of share options:

Share price	HK$1.02
Exercise price	HK$1.02
Expected life of options	2.5 years
Expected volatility	23.8 %
Expected dividend yield	7%
Risk free rate	3.6%

For the purposes of calculating of fair value, no adjustment has been made in respect of options expected to be forfeited, due to lack of historical data.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period of HK$29,983,000 (7.1.2004 to 12.31.2004: HK$53,178,000) and on 508,682,000 (7.1.2004 to 12.31.2004: 425,000,000) ordinary shares of the Company in issue during the period.

No diluted earnings per share has been presented as the exercise prices of the Company's outstanding share options were higher than the average market price of the shares of the Company for the period ended December 31, 2005. There were no potential dilutive ordinary shares outstanding in the prior period.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$14,845,000 (7.1.2004 to 12.31.2004: HK$23,032,000) on additions of property, plant and equipment and disposed of property, plant and equipment with carrying amount of HK$320,000 (7.1.2004 to 12.31.2004: HK$3,000) resulting in a loss on disposal of HK$320,000 (7.1.2004 to 12.31.2004: HK$3,000).

11. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days to 120 days to its trade customers. Included in trade and other receivables are trade receivables with the following aged analysis:

	December 31, 2005	June 30, 2005
	HK$'000	*HK$'000*
0 – 30 days	**76,460**	80,813
31 – 60 days	**76,644**	62,220
61 – 90 days	**42,934**	58,539
91 – 180 days	**92,595**	62,028
	288,633	263,600

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following aged analysis:

	December 31, 2005	June 30, 2005
	HK$'000	*HK$'000*
0 – 30 days	**155,972**	118,653
31 – 60 days	**34,189**	32,981
61 – 90 days	**21,138**	47,302
Over 90 days	**25,109**	19,685
	236,408	218,621

13. BANK BORROWINGS

During the period, the Group raised new trust receipt loans in the amount of approximately HK$114,793,000 and obtained a new bank loan of HK$26,500,000. The new bank loan bears interest at the market rate and is repayable by instalments over a period of 5 years. The Group also repaid trust receipt loans and bank loans of approximately HK$126,262,000 and HK$7,987,000 respectively during the period. The net proceeds were used as general working capital.

14. ACQUISITION OF SUBSIDIARIES

On November 30, 2005, the Group acquired additional 1% of the issued share capital of Weblink Technology Limited (previously an associate of the Group with 50% equity interest) for cash consideration of HK$8. This transaction has been accounted for using the purchase method of accounting.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount and fair value
	HK$'000
Net assets acquired:	
Property, plant and equipment	15,688
Inventories	3,019
Trade and other receivables	6,616
Bank balances and cash	6,536
Trade and other payables	(24,581)
Amounts due to minority shareholders	(19,500)
	(12,222)
Less: Carrying amount previously recognised as interests in associates	(6,111)
Goodwill	6,111
Total consideration	–
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	6,536
	6,536

Weblink Technology Limited and its subsidiaries contributed HK$2,615,000 to the revenue and has a profit of HK$149,000 attributable to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on July 1, 2005, total group revenue for the period would have been HK$591,694,000, and profit for the period would have been HK$30,722,000. The proforma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on July 1, 2005, nor is it intended to be a projection of future results.

15. CAPITAL COMMITMENTS

At December 31, 2005, the Group had capital expenditure amounting to approximately HK$2,428,000 (June 30, 2005: HK$1,210,000) in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements.

16. CONTINGENT LIABILITIES

At June 30, 2005, the Group has discounted bills with full recourses in the amount of approximately HK$2,529,000. Since July 1, 2005, such amount was recognised as bank borrowings under HKAS 39 (see note 2(iii)).

17. RELATED PARTIES TRANSACTIONS

During the period, the Group had the following transactions with related parties:

	Six months ended December 31,	
	2005	2004
	HK$'000	*HK$'000*
Management fee received *(note)*	**525**	630
Purchase of finished goods *(note)*	**2,905**	3,941
Sales of finished goods *(note)*	**366**	315

Note: The transactions were entered with Weblink Technology Limited and its subsidiaries before they became subsidiaries of the Company.

At June 30, 2005, certain banking facilities of the Group were still secured by personal guarantees given by certain directors of the Company even the Group has obtained written consent from the principal banks to release the directors' personal guarantees on the date of the listing of the Company's shares, which would be replaced by corporate guarantees and/or collaterals provided by the Company and/or other members of the Group. At December 31, 2005, the directors' personal guarantees were all released.

At December 31, 2004, certain banking facilities of the Group were secured by personal guarantees given by certain directors of the Company.

18. EVENTS AFTER THE BALANCE DATE

On January 16, 2006, the Group acquired 100 % equity interest in BCN Distribuciones, S.A. ("BCN"), a limited liability company incorporated in the Spain, at a consideration of Euro 10 million (equivalent to approximately HK$93,800,000). BCN was previously a customer of the Group and engaged in the business of research and development and distribution of digital television reception products in Europe. The Group is in the process of assessing the fair values of the identifiable assets and liabilities and contingent liabilities of BCN, therefore the financial effects of the acquisition is not presented.