

BUSINESS REVIEW

For the first half of FY2006/07, the Group was able to maintain tremendous growth momentum, fuelled by the booming communication and multimedia businesses. With the continued sales orders from first tier customers, for the six months ended 30 September 2006, the Group's total turnover increased to HK\$741.1 million from HK\$481.9 million for the corresponding period of last year, a 53.8% rise. Likewise, gross profit achieved a record high of HK\$141.0 million, up from HK\$105.7 million, or a rise of 33.3% year on year. However, gross margin experienced a modest decline to 19.0% during the review period from 21.9% in the last corresponding period, as a result of short term change in sales composition and the benefits of the latest cost down program not yet materialized in the current review period.

The Group has achieved a substantial growth in net profit which increased from HK\$29.5 million to HK\$44.5 million, representing a jump of 50.8% year on year. Moreover, the Group was able to maintain a net margin about 6% by capitalizing on economy of scale.

Product Analysis

During the review period, the communications and multimedia segments were the key growth drivers for the Group. For the six months ended 30 September 2006, sales derived from communication products, audio products, multimedia products, electronic products and accessories, and electro-acoustic parts accounted for 33.5%, 19.6%, 13.3%, 27.5% and 6.1% of the Group's total turnover respectively.

Turnover brought by communication segment for the period represented a 114.4% growth from HK\$115.8 million to HK\$248.2 million mainly because there was a growing demand for hands-free headsets being bundled with mobile phones. This in part is due to the increasing popularity of mobile phones with music and video features that require the complement of headset products of superior acoustic quality. The strengthening tie between the Group and a leading European mobile phone manufacturer was also another significant contributor of the triple-digit growth in sales of the product segment.

Exceptional gains were achieved in the multimedia products business as well. The Group is the sole supplier of wired headsets to Microsoft for use with its Xbox 360™ game console during the review period. For the six months ended 30 September 2006, sales from this segment achieved HK\$98.9 million against HK\$23.4 million for the last corresponding period, translating into a phenomenal jump of 323.3%.

業務回顧

於二零零六／零七財政年度上半年，由於通訊及多媒體業務發展蓬勃，帶動集團保持強勁增長。在世界級頂尖客戶的銷售訂單支持下，截至二零零六年九月三十日止六個月，集團的總營業額由去年同期481.9百萬港元上升53.8%至741.1百萬港元。與此同時，毛利亦創新高，由105.7百萬港元按年增加33.3%至141.0百萬港元。然而於回顧期內，由於銷售組合有暫時性的轉變，以及最近推行的削減產品成本計劃帶來的效益未及於期內反映，毛利率由去年同期21.9%略為調整至19.0%。

儘管如此，集團的純利仍錄得大幅增長，由29.5百萬港元按年上升50.8%至44.5百萬港元。此外，受惠於經濟規模效益，集團成功維持純利率約6%的水平。

產品分析

於回顧期內，通訊及多媒體業務成為集團主要的增長動力。截至二零零六年九月三十日止六個月，通訊產品、音響產品、多媒體產品、電子產品及配件和電聲零件的營業額分別佔集團總營業額33.5%、19.6%、13.3%、27.5%及6.1%。

期內，由於市場對與流動電話配套銷售的免提耳機需求殷切，通訊產品的營業額由115.8百萬港元上升114.4%至248.2百萬港元。其主要增長原因之一是具備影音功能的流動電話日趨普及，而該等增值功能均需要配以優質耳機產品使用。此外，集團加強與主要歐洲流動電話製造商的合作關係，也是銷售額能達到三位數字增長的主要因素。

同期，多媒體產品的業務亦錄得卓越的表現。於回顧期內，集團是微軟Xbox 360™遊戲機附設的有線耳機獨家供應商。截至二零零六年九月三十日止六個月，此項業務的銷售額達到98.9百萬港元，較去年同期的23.4百萬港元飆升323.3%。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

BUSINESS REVIEW (Continued)

Product Analysis (Continued)

Audio products, which recorded sales of HK\$145.6 million during the review period against HK\$153.9 million last year, continued to be an important source of revenue for the Group. With the "on-the-go" trend in audio entertainment thriving, the outlook for demand in high quality earphones and mid-size headphones remains positive. The Group has made initial shipments of new products to a premium audio brand since September 2006 and expects subsequent shipments in the second half year to bolster sales performance markedly.

As for electro-acoustic parts, their revenue decreased by 21.0% to HK\$44.3 million for the review period against HK\$56.1 million last year. The Group achieved positive sales and healthy growth of its FM transmitter products. However, the Group has been strategically withdrawing from the production of micro-speakers for mobile phones, the decline in this segment was expected.

As an essential supporting business to the Group's core businesses, the electronic products and accessories business registered strong growth during the review period. This segment reported a 53.6% solid rise with sales totaling HK\$204.1 million.

Market Analysis

As the Group sells its products to primarily top-tier customers with global presence and make worldwide shipments for them, its business performance is not affected by the conditions in any single geographical market. For the six months ended 30 September 2006, sales to Mainland China, Europe, Asia (excluding Mainland China and Japan), North America and Japan accounted for 31.5%, 21.9%, 21.7%, 20.0% and 0.9% of the Group's total turnover respectively.

PROSPECTS

The Group anticipates that the persistent robust sales of mobile communication and entertainment products will continue to boost demand for accompanying high quality electro-acoustic products with value-added features. As a key player in this electro-acoustic business, the Group looks to the future with optimism.

Strong global mobile phone sales is another confidence booster for the Group. The global market is well on course to achieve Gartner's earlier global sales forecast of 960 million mobile phones for 2006, which represents an 18.3% increase over the last year. This development is of particular relevance to the Group as it continues to enjoy the patronage of a leading European mobile phone manufacturer. Constantly progressing, this relationship has brought about growing business volumes for the Group.

業務回顧 (續)

產品分析 (續)

音響產品繼續成為集團重要的收入來源之一，銷售額於回顧期內錄得145.6百萬港元，而去年同期則為153.9百萬港元。預期「隨身聽」音響娛樂的熱潮將會持續，集團對優質小耳機及中型耳機的市場需求仍相當樂觀。此外，集團已於本年九月份開始向一個優質音響品牌客戶付運新產品，預期該等產品於下半年的批量付運將大幅提升音響產品的銷售表現。

至於電聲零件方面，營業額由去年同期的56.1百萬港元下降21.0%至44.3百萬港元。FM傳送器的銷情理想，持續取得穩定增長。由於集團策略性地撤出生產用於流動電話內的微型揚聲器的業務，因此該類別的營業額下降已在預期之內。

作為集團核心業務的重要支援，電子產品及配件業務於期內錄得強勁增長，銷售額增長達53.6%至204.1百萬港元。

市場分析

集團的產品主要售予業務遍佈全球的頂級跨國企業，並替客戶將產品付運至世界各地，因此任何單一地域市場狀況並不足以對集團的業務表現構成影響。截至二零零六年九月三十日止六個月，銷售至中國內地、歐洲、亞洲（中國內地及日本除外）、北美及日本的營業額分別佔集團總營業額的31.5%、21.9%、21.7%、20.0%及0.9%。

展望

集團預期流動通訊及娛樂產品的銷售將持續強勁，帶動市場對具備增值功能的優質電聲產品的需求。作為電聲行業的主要經營者，集團對業務前景充滿信心。

全球流動電話銷售增長強勁，進一步增強了集團對未來業務發展的信心。全球市場現正朝著Gartner早前發表的全球流動電話銷量預測—於二零零六年達至960百萬部的目標邁進，而此數量較去年的銷售數量增長達18.3%。由於集團已與歐洲主要流動電話製造商建立了穩固的合作關係，流動電話銷量大增，將帶動集團的營業額不斷上升。

PROSPECTS (Continued)

Encouraging prospects are also expected for the Group's audio products business. The initial shipments of new products to a premium audio brand have been made since September 2006, and significant orders have been scheduled for shipment in the second half year. On the whole, the Group expects growing consumer needs for superior lightweight headphones as there will be persistent demand for high-end "on-the-go" audio entertainment equipment enabled by the advancement of digital audio compression technology. Another promising area for the Group is its noise canceling headphones which has been gaining market acceptance by frequent air travelers and offers considerable potential for growth to the Group. Likewise, wireless headphones that adopt infrared (IR), radio frequency (RF), Bluetooth and 2.4/5.8 GHz digital audio technologies have seen increasing orders.

The Group also expects steady performance from the business of bundling headsets with Microsoft's Xbox 360™ game consoles. It believes the tide of video games becoming a part of modern lifestyle is a continual phenomenon and will keep providing the impetus of growth for the business. Other opportunities worthy of pursuit for the Group in the multimedia segment are instant messaging, including Voice over Internet Protocol (VoIP) and other cross-segment multimedia applications. As consumers become more aware and receptive of such technologies, their craving for quality multimedia headsets will mushroom and the Group is well positioned to satisfy this craving.

Expecting pressure from continuing macro-economic challenges in the later half year, the Group will strive to maintain its margin by exercising vigilant cost control, and improving productivity and operational efficiency. Having been in the industry for over two decades, the Group has become synonymous with acoustics excellence. Never complacent, however, the Group will continue to strengthen its global presence and seize opportunities arising from new product trends borne out of consumers' desire for innovation. The Group will address such desires by keeping up with its research and development efforts. It will ensure that its electro-acoustic expertise can be readily adapted to suit a broad spectrum of applications while continuing to be pliant to customers' production requirements and helping customers serve their markets. While quick to adapt to changing business conditions, the Group will remain prudent in charting its development course, cognizant of the importance of judicious use of resources and commitment to excellence to achieving long-term managed growth.

展望 (續)

此外，音響產品的業務前景亦見樂觀。由二零零六年九月始，集團已向一個優質音響品牌客戶付運首批新產品，大批量訂單並已排期於下半年度付運。整體而言，隨著先進數碼音響壓縮技術的發展，集團預期消費者對「隨身聽」的高級音響娛樂器材的需求持續，並將帶動對優質而輕巧的耳機的相應需求。另一方面，消滅噪音耳機已廣泛被經常乘搭飛機的旅客接受，為集團帶來發展空間和增長潛力。至於配備紅外線、射頻技術、藍芽及2.4/5.8GHz數碼音響技術的無線耳機，訂單數目亦不斷增加。

集團預期微軟Xbox 360™遊戲機的配套耳機訂單將穩定增長。集團相信視像遊戲的浪潮席捲全球，並將成為現代生活的一部分。此趨勢將會繼續推動集團多媒體業務的增長。而即時訊息則是另一個值得拓展的業務領域，其中包括Voice over Internet Protocol (VoIP)等多媒體應用範疇。隨著消費者對上述科技的認知及接受程度不斷提高，預期他們對優質多媒體耳機的需求將與日俱增。而集團現已準備就緒，致力滿足客戶對此類產品的龐大需求。

下半年度，集團預期宏觀經濟情況會為業務帶來挑戰，透過實行嚴謹成本控制措施、改善生產力及營運效率，以維持邊際利潤的表現。集團憑藉業內逾二十年豐富經驗，其企業品牌形象經已與高質素的電聲產品緊密相連。然而，集團不止滿足於此，反之將繼續強化固有全球業務網絡，並透過不斷提升研發能力，以迎合市場潮流和滿足消費者對創新產品的需要，務求於瞬息萬變的市場之中把握商機。與此同時，集團亦將確保其在電聲方面的專業技術能伸延至廣泛的應用層面，具彈性地滿足客戶在產品方面的要求之餘，亦協助他們迎合市場需要。除了盡力適應營商環境外，集團將繼續審慎制訂發展方向，並善用資源，以達致長期穩健的增長。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

FINANCIAL REVIEW

Liquidity and Financial Resources

Net current assets as at 30 September 2006 amounted to approximately HK\$229.8 million as compared with approximately HK\$185.7 million as at 31 March 2006. The Group's current and quick ratio were 1.5 times (As at 31 March 2006: 1.6 times) and 0.9 times (As at 31 March 2006: 0.9 times) respectively.

The Group had cash and bank deposits of approximately HK\$87.3 million as at 30 September 2006, representing an increase of approximately 33.6% against approximately HK\$65.4 million as at 31 March 2006. About 31.7%, 1.2% and 44.1% of the total cash and bank deposits were denominated in Chinese Renminbi, Japanese Yen and US dollars respectively and the remainder in Hong Kong dollars.

As at 30 September 2006, the Group had aggregate banking facilities of approximately HK\$433.6 million (As at 31 March 2006: HK\$365.5 million) from several banks for overdrafts, loans, and trade financing, with an unused balance of approximately HK\$296.0 million (As at 31 March 2006: HK\$296.0 million).

Capital Structure

As at 30 September 2006, the total borrowings of the Group were approximately HK\$137.6 million (As at 31 March 2006: HK\$61.3 million), of which about 81.6% and 18.4% were due within one year and between two to five years, respectively.

These Group's borrowings consisted of a secured three-year bank loan of approximately HK\$10.0 million (As at 31 March 2006: HK\$11.4 million) and several unsecured bank loans of approximately HK\$127.6 million (As at 31 March 2006: HK\$49.9 million) of which about 77.1% was denominated in Hong Kong dollars and about 22.9% was denominated in US dollars.

Approximately HK\$13.6 million of certain property, plant and equipment has been pledged for the secured three-year bank loan (As at 31 March 2006: HK\$14.4 million). During the period under review, the Group's borrowings bore interest at rates ranging from 4.6% to 6.4% (2005: ranging from 2.8% to 5.8%).

財務回顧

財務狀況及流動資金

於二零零六年九月三十日，本集團之流動資產淨值約為229.8百萬港元，而於二零零六年三月三十一日之流動資產淨值則約為185.7百萬港元。本集團之流動及速動比率分別為1.5倍(二零零六年三月三十一日：1.6倍)及0.9倍(二零零六年三月三十一日：0.9倍)。

於二零零六年九月三十日，本集團約有87.3百萬港元現金及銀行存款，較二零零六年三月三十一日約65.4百萬港元增加約33.6%。現金及銀行存款總額中約31.7%、1.2%及44.1%分別為中國人民幣、日圓及美元，其餘則為港元。

於二零零六年九月三十日，本集團之銀行融資合共約為433.6百萬港元(二零零六年三月三十一日：365.5百萬港元)，為來自多家銀行之透支、貸款及貿易信貸，而未動用之餘額約為296.0百萬港元(二零零六年三月三十一日：296.0百萬港元)。

資本架構

於二零零六年九月三十日，本集團之借貸總額約為137.6百萬港元(二零零六年三月三十一日：61.3百萬港元)，其中約81.6%及18.4%分別於一年內及兩年至五年內到期。

本集團此等借貸包括為期三年合共約10.0百萬港元(二零零六年三月三十一日：11.4百萬港元)之有擔保銀行貸款及多項合共約127.6百萬港元(二零零六年三月三十一日：49.9百萬港元)之無擔保銀行貸款，其中約77.1%以港元結算及約22.9%以美元結算。

該項為期三年之有擔保銀行貸款乃以為數約13.6百萬港元(二零零六年三月三十一日：14.4百萬港元)之若干物業、廠房及設備作抵押。於回顧期內，本集團之借貸乃按介乎4.6厘至6.4厘(二零零五年：介乎2.8厘至5.8厘)之利率計息。

FINANCIAL REVIEW (Continued)

Capital Structure (Continued)

The Group's gearing ratio as at 30 September 2006 was approximately 32.0% (As at 31 March 2006: 15.3%), which was measured on the basis of total borrowings as a percentage of total equity attributable to the equity holders of the Company. Net gearing ratio was approximately 11.7% as at 30 September 2006 which was measured on the basis of total borrowings net of cash and bank deposits as a percentage of total equity attributable to the equity holders of the Company. As at 31 March 2006, the Group was in a net cash position and hence net gearing ratio was not applicable.

Foreign Exchange Exposure

Most of the Group's transactions, including borrowings, were conducted in US dollars, Hong Kong dollars or Chinese Renminbi. To mitigate the risks due to fluctuations in foreign currency exchange rates, the Group had used forward foreign exchange contracts to hedge against major currency exposures during the period.

Employee Information

As at 30 September 2006, the Group's employed a total of over 12,900 employees. The employment costs (including the directors' emoluments) accounted for approximately HK\$113.5 million during the six months ended 30 September 2006 (2005: HK\$84.7 million).

The Group has developed its human resources policies and procedures based on performance and merit. Employees are rewarded on a performance-related basis within the general framework of its salary and bonus system. Discretionary bonus is linked to the profit performance of the Group as well as individual performance. Benefits include staff accommodation, medical schemes, share option scheme, Mandatory Provident Fund for employees in Hong Kong and state-sponsored retirement plans for employees in the Mainland China.

Contingent Liabilities

As at 30 September 2006, the Company had provided corporate guarantees of approximately HK\$253.2 million (As at 31 March 2006: HK\$202.4 million) to several banks to secure banking facilities of its subsidiaries.

財務回顧 (續)

資本架構 (續)

本集團於二零零六年九月三十日之資本負債比率約為32.0% (二零零六年三月三十一日：15.3%)，乃根據借貸總額及歸屬本公司股權持有人之權益總額之百分比計算。本集團於二零零六年九月三十日之淨資本負債比率約為11.7%，乃根據扣除現金及銀行存款後之借貸總額及歸屬本公司股權持有人之權益總額之百分比計算。於二零零六年三月三十一日，本集團處於淨現金狀況，因此淨資本負債比率並不適用。

外匯風險

本集團大部份交易 (包括借貸) 均以美元、港元或中國人民幣結算，為減低匯率波動引起的風險，本集團於期內利用遠期外匯合約對沖主要貨幣匯兌風險。

僱員資料

於二零零六年九月三十日，本集團共聘用超過12,900名僱員。於截至二零零六年九月三十日止六個月，僱員成本 (包括董事酬金) 約為113.5百萬港元 (二零零五年：84.7百萬港元)。

本集團根據表現及成績制訂人力資源政策及程序。本集團亦根據慣常之薪酬及花紅制度按員工表現給予員工報酬。酌情花紅視乎本集團之溢利表現及個別員工之表現而定。僱員福利包括宿舍、醫療計劃、購股權計劃、香港僱員之強積金計劃及中國國內僱員之國家退休金計劃。

或然負債

於二零零六年九月三十日，本公司為其附屬公司所獲銀行融資向數家銀行作出約253.2百萬港元 (二零零六年三月三十一日：202.4百萬港元) 之公司擔保。