

## MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL REVIEW

### Turnover

During the period, the sales turnover increased to HK\$1,862 million, an increase of 19.2% as compared to the same period last year. The increase was mainly attributable to the better sales of digital products.

Profit attributable to equity shareholders was HK\$22 million, a drop of 13.4% over the same period of last year.

During the period, sales of home audio products, which remained its core business, accounted for approximately 52.7% of the Group's turnover, a decrease of 28.5% in sales over last period. Sales from digital and DVD players contributed to approximately 47.3% of the Group's turnover, an increase of 361.1% over last period.

### Gross Margin

The Group continued to change its product mix and reduce the low margin business of certain CD audio products. Gross profit was about HK\$99 million.

### Expenses

The Group's administrative expenses were similar to the period for last year and recorded at HK\$59 million. The percentage of administrative expenses to total sales slightly decreased to 3.2% (2005: 3.7%). The Group's selling and distribution expenses remained at approximately HK\$19 million. The Group's finance costs increased to HK\$18 million, as a result of the higher average interest rate and the increase in trust receipt and packing loans.

### Property Investment

The Group has changed the use of certain plants in Dongguan to rental purposes following the continuing consolidation of its operations into Qingyuan. The increase in fair value of investment properties amounted to HK\$13 million. The Group is now in the process of obtaining land use right certificates for the investment properties.

## 管理層討論及分析

### 財務回顧

#### 營業額

期內，銷售營業額較去年同期增加19.2%至1,862,000,000港元。營業額增加的主要原因為數碼產品之銷售額有所改善。

股東應佔溢利為22,000,000港元，較去年同期下跌13.4%。

期內，家庭音響產品繼續成為本集團核心業務，其銷售額佔本集團營業額約52.7%，較去年減少28.5%。數碼及DVD機之銷售額則佔本集團營業額約47.3%，較去年上升361.1%。

#### 毛利率

本集團繼續更改其產品組合及減少低毛利率之若干CD音響產品業務。毛利約為99,000,000港元。

#### 開支

本集團之行政開支與去年同期相若，錄得59,000,000港元。行政開支對總銷售額之百分比輕微下降至3.2%（二零零五年：3.7%）。本集團之銷售及分銷開支維持於約19,000,000港元之水平。本集團之融資成本因平均利率上升，以及信託收據及出口貸款增加而升至18,000,000港元。

#### 物業投資

隨著將業務持續整合至清遠工業村，本集團已將東莞若干廠房之用途更改用作出租用途。投資物業之公平值增加至13,000,000港元。本集團正申領投資物業之土地使用證。

### Working Capital Management

As at 30 September 2006, the Group maintained bank deposit and cash and cash equivalents at approximately HK\$241 million (31 March 2006: HK\$221 million).

The Group's average inventory turnover was about 59 days (31 March 2006: 56 days). The increase in inventory was mainly due to the certain raw materials and finished goods built up awaiting for shipments in October and November 2006. The Group's average trade receivables turnover was increased to 28 days (31 March 2006: 16 days).

Trade and other receivables increased from approximately HK\$166 million to approximately HK\$424 million. It was mainly due to the record shipments in September of this period and accordingly, bills receivable for discounting, included therein, increased from HK\$36 million to HK\$199 million which were offsetting in nature against the corresponding liability item (bills discounted). The bills receivable for discounting and bills discounted dropped significantly after September 2006 to the normal level of about HK\$52 million in October 2006. The stock and creditors levels increased in line with the underlying sales growth for the period.

### Dividend Policy

The Board has declared an interim dividend of HK1 cent per share. After careful consideration, the Group adhered to the existing dividend policy with a payout ratio of not more than 50% on net profits rather than maintaining the absolute amount of dividend of prior years.

### Financing and Capital Structure

As at 30 September 2006, the Group had bank loans of approximately HK\$446 million (31 March 2006: approximately HK\$624 million), which included the outstanding balance of syndicated loan in the amount of HK\$163 million (31 March 2006: HK\$255 million). The Group also issued letters of credit to procure the supplies of critical components and certain raw materials. The trust receipt and packing loans amounted to approximately HK\$347 million (31 March 2006: HK\$43 million).

The Group's loans were primarily denominated in Hong Kong dollars, US dollars and RMB and the Group had no significant exposure to foreign exchange fluctuations.

### 營運資金管理

於二零零六年九月三十日，本集團之銀行存款及現金及現金等值項目維持約241,000,000港元（二零零六年三月三十一日：221,000,000港元）。

本集團之平均存貨流轉期約為59日（二零零六年三月三十一日：56日）。存貨增加主要由於若干原材料及製成品於二零零六年十月及十一月需等待裝運而有所積累。本集團之平均貿易應收賬款流轉期上升至28日（二零零六年三月三十一日：16日）。

貿易及其他應收賬款由約166,000,000港元增加至約424,000,000港元，主要由於在本期間九月創紀錄的付運量所致。因此，包括在貿易及其他應收賬款內之供貼現應收票據由36,000,000港元增加至199,000,000港元，彼等具有與對應負債項目（貼現票據）互相抵銷之性質。供貼現之應收票據及貼現票據於二零零六年九月後已顯著減少，於二零零六年十月返回約52,000,000港元之正常水平。存貨及應付賬款之增加乃與期內相關銷售增長同步。

### 股息政策

董事會已宣派中期股息每股1港仙。經詳細考慮後，本集團仍奉行派息率不高於股東應佔溢利50%之現有股息政策，而不維持往年之絕對股息數額。

### 融資及資本架構

於二零零六年九月三十日，本集團之銀行貸款約446,000,000港元（二零零六年三月三十一日：約624,000,000港元），包括未償還銀團貸款163,000,000港元（二零零六年三月三十一日：255,000,000港元）。本集團採購重要組件及若干原材料時亦發出信用證。信託收據及出口貸款約為347,000,000港元（二零零六年三月三十一日：43,000,000港元）。

由於本集團之貸款主要以港元、美元及人民幣定值，因此本集團毋須承擔重大外匯波動之風險。

The increase in consolidated funded debt (excluding bills discounted which were offsetting in nature) from HK\$667 million to HK\$796 million was mainly due to the drawdown of new loans and finance leases as well as additional short-term trade facilities (as explained in the 2006 annual report) to fund normal working capital and the capital expenditure for the period. The trust receipt and packing loans decrease significantly after September 2006 to the level of about HK\$200 million in October 2006. Following the shipments in October and November 2006, the net gearing ratio is expected to be about 50%.

#### Capital Expenditure

Total capital expenditure for the period was approximately HK\$43 million (31 March 2006: approximately HK\$125 million), out of which, HK\$8 million was mainly spent on the construction of Qingyuan Ngai Lik Industrial Estate, HK\$15 million for the acquisition of plant and machinery and HK\$9 million for moulds investment.

#### Liquidity and Financial Resources

The net current assets of the Group as at 30 September 2006 stood at approximately HK\$62 million (31 March 2006: HK\$37 million) and the current ratio was 1.04 (31 March 2006: 1.05). Shareholders' funds were maintained at approximately HK\$1,089 million (31 March 2006: HK\$1,070 million).

#### Treasury Policy

The majority of the Group's sales and purchases were denominated in US Dollars and HK Dollars. As HK Dollars and US Dollars are pegged, the Group had minimum exposure to foreign exchange fluctuation. The labour costs and other overheads incurred in China were denominated in RMB and during the period, the Group had entered into an one year structured forward contract for RMB in the amount of US\$1 million with the Hongkong and Shanghai Banking Corporation Limited for hedging purposes. The Group will closely monitor the overall currency and interest rate exposures. When considered appropriate, the Group will hedge against currency exposure as well as interest rate exposure.

綜合融資債務(不包括具有抵銷性質之貼現票據)由667,000,000港元增加至796,000,000港元,主要原因為提取新貸款及融資租約與額外短期貿易信貸(正如二零零六年度年報內闡釋)以提供期間之日常營運資金及資本開支。信託收據及出口貸款於二零零六年九月後已顯著減少,二零零六年十月已下降至約200,000,000港元之水平。經過二零零六年十月及十一月之付運後,淨資本負債比率預期約為50%。

#### 資本支出

期內總資本支出約為43,000,000港元(二零零六年三月三十一日:約125,000,000港元),其中8,000,000港元主要用於興建清遠毅力工業村,15,000,000港元用於購置廠房及機器及9,000,000港元則用於模具投資。

#### 流動資金及財政資源

於二零零六年九月三十日,本集團之流動資產淨值維持於約62,000,000港元(二零零六年三月三十一日:37,000,000港元),而流動比率則為1.04(二零零六年三月三十一日:1.05)。股東資金維持於約1,089,000,000港元(二零零六年三月三十一日:1,070,000,000港元)之水平。

#### 庫務政策

本集團之銷售及採購大部份以港元或美元結算。由於港元與美元掛鈎,令本集團承受外匯波動風險甚低。於中國發生之勞工成本及其他支出均以人民幣結算,而於本期間,本集團與香港上海滙豐銀行有限公司訂立1,000,000美元之一年期人民幣結構遠期合約作為對沖用途。本集團將密切監察整體之貨幣及利率風險。於認為合適時,本集團將為貨幣風險及利率風險進行對沖。

## EMPLOYEE INFORMATION

As at 30 September 2006, the Group had approximately 31,800 employees (31 March 2006: approximately 32,000). The remuneration packages are generally structured with reference to market conditions and the qualifications of the employees. The salaries and wages of the Group's employees are normally reviewed annually based on performance appraisals and other relevant factors. Bonuses are normally paid to the management, based on individual merits as well as results of their respective companies in which they work. Benefit plans for its Hong Kong staff include a provident fund scheme and medical and life insurance. The Company also maintains a Share Option Scheme, under which options may be granted to employees to subscribe for shares in the Company. This Share Option Scheme is designed to give employees an incentive to perform.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to high standards of corporate governance. Subsequent to the publication of the Corporate Governance Report in the 2006 Annual Report, a special resolution was passed at the Annual General Meeting of the Company held on 15 September 2006 to amend the Company's Bye-laws to the effect that all directors (including Chairman of the Board and Managing Director of the Company) will be subject to retirement by rotation.

The Board consider that the Company has complied with all code provisions set out in the Code on the Corporate Governance Practices ("CG Code") throughout the six months ended 30 September 2006, with deviations from CG Code provision A2.1 in respect of the separation of roles of the chairman and chief executive officer and A4.2 in respect of the re-election of directors who are appointed to fill causal vacancy. The Group's compliance with the provisions of the CG Code together with the reasons for the above deviations are set out in the CG Report contained in the Company's 2006 Annual Report issued in July 2006.

## AUDIT COMMITTEE

The Audit Committee of the Company, comprising of three independent non-executive directors, has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Company's unaudited interim results for the six months ended 30 September 2006.

## 僱員資料

於二零零六年九月三十日，本集團有約31,800名僱員（二零零六年三月三十一日：約32,000名）。薪金一般參考市場標準及個別員工資歷而釐定。本集團僱員之薪金及工資一般於每年根據表現評估及其他相關因素作出檢討。本集團亦按管理層人員各自之良好表現及彼等所任職各間公司之業績發放花紅。香港員工之福利計劃包括一項公積金計劃及醫療及人壽保險。本公司亦設有一項購股權計劃，據此可向僱員授出認購本公司股份之購股權。購股權計劃旨在給予僱員盡展所長之機會。

## 遵守企業管治常規守則

本公司致力於高水平之企業管治。於二零零六年年報內之企業管治報告刊發後，一項特別決議案於二零零六年九月十五日舉行之本公司股東週年大會獲通過，以修訂本公司之公司細則，致使所有董事（包括本公司董事會主席及董事總經理）將需輪席告退。

董事會認為，本公司於截至二零零六年九月三十日止六個月期間遵守企業管治常規守則（「企業管治守則」）內之守則條文，然而，就與主席及行政總裁角色區分有關之企業管治守則條文第A2.1條，及有關獲委任以填補臨時空缺之董事重選事宜之第A4.2條，產生偏離事項。本集團遵守企業管治守則之條文連同上述偏離情況之原因，載列於本公司二零零六年年報之企業管治報告內，而該年報已於二零零六年七月刊發。

## 審核委員會

本公司審核委員會（成員為三名獨立非執行董事）已與本公司管理層審閱本集團採納之會計原則及常規，並已討論審核、內部控制及財務申報程序事項，包括審閱本公司截至二零零六年九月三十日止六個月之未經審核中期業績。

## REMUNERATION COMMITTEE

The Remuneration Committee of the Company, comprising of three independent non-executive directors and one executive director, was established with terms of reference in compliance with the CG Code. The Remuneration Committee is responsible for formulation and review of the remuneration policy of the Company and performance of the executive directors, recommendation as to the remuneration of the executive directors and dealing with matters of appointment, retirement and re-election of the directors.

## COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Code"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard as set out in the Code throughout the six months ended 30 September 2006.

## DEALING IN COMPANY'S LISTED SECURITIES

During the period, there were no purchases, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities.

## 薪酬委員會

本公司薪酬委員會(成員為三名獨立非執行董事及一名執行董事)已遵照企業管治守則成立並制訂職權範圍。薪酬委員會負責製訂及審閱本公司之薪酬政策及執行董事之表現，就執行董事之薪酬作出推薦意見及處理董事委任、退任及重選事宜。

## 遵守董事進行證券交易之守則

本公司已採納上市規則附錄10載列之上市發行人之董事進行證券交易之標準守則(「標準守則」)，作為其有關董事之證券交易之守則(「該守則」)。經本公司向所有董事作出具體查詢後，本公司董事於截至二零零六年九月三十日止六個月之整段期間內一直遵守該守則所規定之準則。

## 買賣本公司上市證券

期內，本公司或其任何附屬公司並無購買、出售或贖回本公司任何上市證券。

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the directors, chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

## 董事及行政總裁於股份、相關股份及債券之權益及淡倉

於二零零六年九月三十日，本公司各董事、行政總裁及彼等各自之聯繫人士於本公司及其聯營公司（具有證券及期貨條例（「證券及期貨條例」）第XV部所賦予之涵義）之股份、相關股份及債券須根據證券及期貨條例第352條須保存之登記冊所記載，或根據上市規則內的標準守則知會本公司及聯交所之權益及淡倉如下：

| Name of Director<br>董事姓名                 | Capacity/<br>Nature of interest<br>身份／權益性質 | Number of Shares held<br>所持股份數目 |                      | Percentage<br>of holding<br>持股百分比 |
|--|--|---------------------------------|----------------------|-----------------------------------|
|  |  | Long position<br>好倉             | Short position<br>淡倉 |                                   |
| Lam Man Chan ("Dr. Lam")<br>林文燦（「林博士」）   | family interest (note)<br>家族權益（附註）         | 278,723,176                     | –                    | 35.15%                            |
| Ting Lai Ling ("Ms. Ting")<br>丁麗玲（「丁女士」） | family interest (note)<br>家族權益（附註）         | 278,723,176                     | –                    | 35.15%                            |

**Note:**

The interests are held by Goodchamp Holdings Limited, which is 100% owned by Sinowin Inc. as trustee of The Sinowin Unit Trust. The Sinowin Unit Trust is a unit trust 100% owned by HSBC International Trustee Limited as trustee of a discretionary trust. The discretionary trust was settled by Dr. Lam and the discretionary objects of which are Ms. Ting herself (the wife of Dr. Lam) and the family members of both Dr. Lam and Ms. Ting.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of compliance with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2006, none of the Directors or the chief executive of the Company and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**附註：**

該等權益乃以Goodchamp Holdings Limited之名義持有，而該公司乃由Sinowin Inc.（作為The Sinowin Unit Trust之信託人）擁有100%權益。The Sinowin Unit Trust乃一項由HSBC International Trustee Limited（作為一項全權信託之信託人）擁有之單位信託。林博士為該全權信託之創立人，而丁女士本人（林博士之夫人）與林博士及丁女士二人之家族成員為該全權信託之全權受益人。

除上文所述者外，若干董事為本公司之利益而於若干附屬公司持有非實益個人股份權益，惟此舉僅為符合公司股東人數最低規定。

除上述披露者外，於二零零六年九月三十日，概無本公司董事或行政總裁及彼等各自之聯繫人士於本公司及其聯營公司（具有證券及期貨條例第XV部所賦予之涵義）之股份、相關股份及債券須根據證券及期貨條例第352條須保存之登記冊所記載，或根據標準守則須另行知會本公司及聯交所之權益或淡倉。

## DIRECTORS' RIGHT TO ACQUIRE SHARES

As at 30 September 2006, none of the directors of the Company has any right to acquire any interest or benefits by means of acquisitions of shares, underlying shares in or debentures of the Company.

## INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 September 2006, so far as was known to the directors or chief executive of the Company, the following persons (other than the interests disclosed above in respect of certain directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO are set out below:

## 董事購買股份之權利

於二零零六年九月三十日，概無本公司董事擁有任何權利，可藉收購本公司股份、相關股份或債權證而獲得權益或利益。

## 主要股東及其他人士之股份及相關股份權益及淡倉

於二零零六年九月三十日，就本公司董事或行政總裁所知，以下人士(不包括本公司董事或行政總裁)於本公司股份或相關股份中擁有根據證券及期貨條例第336條須存置之登記冊所記載之權益或淡倉：

| Name of shareholder<br>股東名稱                | Notes<br>附註 | Capacity/<br>nature of interest<br>身份／權益性質 | Number of shares held<br>所持股份數目 |                         | Percentage<br>of holding<br>持股百分比 |
|--|-------------|--|---------------------------------|-------------------------|-----------------------------------|
|  |             |  | Long<br>position<br>好倉          | Short<br>position<br>淡倉 |                                   |
| Goodchamp Holdings Limited                 | 1           | Beneficial interest<br>實益權益                | 277,923,176                     | –                       | 35.05%                            |
| Sinowin Inc.                               | 1           | Trustee interest<br>信託人權益                  | 277,923,176                     | –                       | 35.05%                            |
| HSBC International Trustee Limited         | 1           | Trustee interest<br>信託人權益                  | 278,423,176                     | –                       | 35.11%                            |
| Grandlink Holdings Limited                 | 2           | Beneficial interest<br>實益權益                | 40,640,000                      | –                       | 5.12%                             |
| Guardian Trustee Limited                   | 2           | Trustee interest<br>信託人權益                  | 40,640,000                      | –                       | 5.12%                             |
| Basab Inc.                                 | 2           | Trustee interest<br>信託人權益                  | 40,640,000                      | –                       | 5.12%                             |
| FMR Corp.                                  | 3           | Investment manager<br>投資經理                 | 70,904,000                      | –                       | 8.94%                             |
| Templeton Investment Counsel, LLC          | –           | Investment manager<br>投資經理                 | 63,622,532                      | –                       | 8.02%                             |
| Oaktree Capital Management, L.L.C. ("OCM") | 4           | Corporate interest<br>公司權益                 | 48,880,000                      | –                       | 6.16%                             |
| OCM Emerging Markets Fund, L.P. ("EMF")    | 4           | Beneficial interest<br>實益權益                | 48,880,000                      | –                       | 6.16%                             |

Notes:

1. The details of this note are stated in note of the above section (a) headed "Directors and chief executive's interests and short positions in shares, underlying shares and debentures"
2. The 40,640,000 shares of the Company are held by and registered in the name of Grandlink Holdings Limited, which is 100% owned by Basab Inc. as trustee of The Basab Unit Trust. The Basab Unit Trust is a unit trust owned by Guardian Trustee Limited as trustee of a discretionary trust.
3. The interests are indirectly held by FMR Corp. through its 100% controlled corporations, namely, Fidelity Management & Research Company and Fidelity Management Trust Company.
4. These shares are held through EMF. OCM is the general partner of EMF and is holding 2% in EMF. OCM is deemed to be interested in shares held by EMF solely as general partner of EMF but disclaims any beneficial interest therein except for its pecuniary interest.

Save as disclosed above, as at 30 September 2006, the directors and chief executive of the Company are not aware of any other persons who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## SHARE OPTION SCHEME

A share option scheme of the Company was approved and adopted on 23 August 2002 (the "Scheme"). The Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Company may grant options to, inter alia, directors and employees of the Company or its subsidiaries and other participants to subscribe for shares in the Company. The details of the terms of the Scheme were disclosed in the Company's 2006 annual report.

During the period, all outstanding options as at 31 March 2006 were cancelled and no options were granted, exercised or lapsed.

附註：

1. 此附註之詳情已載於上文「董事及行政總裁於股份、相關股份及債券之權益及淡倉」(a)節附註。
2. 此等40,640,000股本公司股份乃由Grandlink Holdings Limited持有及登記於其名下。Grandlink Holdings Limited乃由Basab Inc.擁有100%權益，乃The Basab Unit Trust之受託人。The Basab Unit Trust乃一個由Guardian Trustee Limited擁有之單位信託基金，乃一個全權信託之受託人。
3. 有關權益由FMR Corp.透過其100%控制之兩間公司(Fidelity Management & Research Company及Fidelity Management Trust Company)間接持有。
4. 此等股份乃透過EMF持有。OCM為EMF之普通合夥人，持有EMF之2%權益。OCM僅因身為EMF之普通合夥人而被視為在EMF所持之股份中擁有權益，但已作出免責聲明，除金錢上之權益外，其在EMF所持股份中並無擁有任何實益權益。

除上文所披露者外，於二零零六年九月三十日，本公司董事及行政總裁並無獲悉有任何其他人士於本公司之股份或相關股份中擁有根據證券及期貨條例第336條須存置之登記冊所記載之權益或淡倉。

## 購股權計劃

本公司之購股權計劃(該計劃)於二零零二年八月二十三日批准及採納。計劃自採納日期起十年內有效及生效。

根據該計劃，本公司可向(其中包括)本公司或其附屬公司之董事及僱員或其他人士授出購股權，以認購本公司股份。該計劃條款之詳情已於本公司二零零六年報內披露。

期內，於二零零六年三月三十一日所有尚未行使之購股權經已被註銷及並無購股權獲授出、行使或失效。

## ACKNOWLEDGEMENT

On behalf of the Board, I wish to take this opportunity to express my sincere gratitude to our management team and staff for their hard work and dedication in the past year. I also wish to thank our shareholders, customers, suppliers, bankers and business partners for their continued trust and support.

By order of the Board  
**Lam Man Chan**  
*Chairman*

## 致謝

本人謹代表董事會，對管理層及員工們於過去一年之努力及作出之貢獻致以衷心謝意。本人亦謹此感謝股東、客戶、供應商、往來銀行及業務夥伴之不斷信賴及支持。

承董事會命  
**林文燦**  
主席