

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended December 31, 2006*

### 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 2. Principal accounting policies

The condensed financial statements have been prepared on the historical cost basis except for investment properties and certain 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 Group's annual financial statements for the year ended June 30, 2006 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are either effective for accounting periods beginning on or after December 1, 2005, January 1, 2006, March 1, 2006, May 1, 2006 or June 1, 2006. The adoption of the new HKFRSs had no material effect on how the Group's results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on how the results and the financial position of the Group are prepared and presented.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment <sup>3</sup>
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>4</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2007

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2009

<sup>3</sup> Effective for annual periods beginning on or after November 1, 2006

<sup>4</sup> Effective for annual periods beginning on or after March 1, 2007

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2008

### 3. 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

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### Six months ended December 31, 2006

	Digital television reception products HK\$'000	Connectors and cables HK\$'000	Communication related products HK\$'000	Total HK\$'000
<b>REVENUE</b>				
External sales	292,914	220,806	76,408	590,128
<b>RESULT</b>				
Segment result	29,391	45,858	714	75,963
Other income				10,934
Unallocated corporate expenses				(58,781)
Share of results of an associate	250	–	–	250
Finance costs				(10,348)
Profit before taxation				18,018
Income tax expense				(3,391)
Profit for the period				14,627

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Six months ended December 31, 2005

	<b>Digital television reception products</b> HK\$'000	<b>Connectors and cables</b> HK\$'000	<b>Communication related products</b> HK\$'000	<b>Total</b> HK\$'000
<b>REVENUE</b>				
External sales	332,199	146,811	104,886	583,896
<b>RESULT</b>				
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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### 4. Profit before taxation

	<b>Six months ended December 31,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets (included in administrative expenses)	<b>555</b>	–
Release of prepaid lease payments	<b>235</b>	154
Depreciation of property, plant and equipment	<b>17,510</b>	14,790
Decrease in fair value of derivative financial instruments	<b>813</b>	–
and after crediting:		
Bank interest income	<b>(848)</b>	(725)

### 5. Income tax expense

	<b>Six months ended December 31,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
The tax charge comprises:		
Current period		
Taxation in other jurisdictions	<b>3,413</b>	2,091
Deferred tax (credit) charge	<b>(22)</b>	182
	<b>3,391</b>	2,273

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No tax is payable on the profit for the period arising in Hong Kong since the assessable profit of the subsidiary operating in Hong Kong is wholly absorbed by tax losses brought forward.

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

Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), one of the Company's PRC subsidiaries is exempted 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 expiry of the tax relief period on December 31, 2004, the PRC subsidiary can apply for Reduced Tax Rate on a yearly basis if it qualifies as an exported oriented enterprise. The PRC subsidiary qualified as an exported oriental enterprise for the year ended December 31, 2006 and continued to enjoy the Reduced Tax Rate.

### 6. Dividends

The directors do not recommend the payment of an interim dividend for the period.

For the period ended December 31, 2005, the dividend represented the final dividend declared in respect of the financial year ended June 30, 2005.

### 7. Share-based payment transactions

Pursuant to a share option scheme approved by a written resolution passed by the shareholders of the Company on March 17, 2005 (the "Option Scheme"), the Company may grant options to the directors or employees, any business consultants, business partners, suppliers, customers, agents or financial or legal advisers of the Company or any of its subsidiaries, for the recognition of their contributions, to subscribe for shares in the Company with a payment of HK\$1.00 upon each grant of options offered.

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The exercise price of the share option will be determined at the highest of:

- (i) the closing price of the Company's shares on the Stock Exchange on the date of grant;
- (ii) the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and
- (iii) the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Option Scheme, or any conditions stipulated by the board of directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of the Company in issue from time to time. Unless further shareholders' approval has been obtained pursuant to the conditions set out in the Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full, would result in such person's maximum entitlement exceeding 1% of the number of issued shares of the Company.

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The following table discloses movements of the share options of the Company entitled by the Company's directors or employees during the period:

Type of grantee	Exercise price (Note 1)	Exercise period (Note 2)	Number of share options			Outstanding at December 31, 2006
			Outstanding at July 1, 2006	Granted during the period	Forfeited during the period	
Directors	HK\$1.02	August 1, 2005 to July 31, 2015	2,500,000	-	-	2,500,000
Employees	HK\$1.02	August 1, 2005 to July 31, 2015	3,400,000	-	(60,000)	3,340,000
Employees	HK\$2.05	December 16, 2006 to December 15, 2016	-	1,100,000	-	1,100,000
			<u>5,900,000</u>	<u>1,100,000</u>	<u>(60,000)</u>	<u>6,940,000</u>

Notes:

1. The closing prices of the Company's shares immediately before July 30, 2005 and December 15, 2006, the dates of grant of the options, were HK\$1.02 and HK\$2.05, respectively.

2. The share options are vested in stages as follows:

On or after the second year anniversary of the date of grant 50%

On or after the third year anniversary of the date of grant remaining 50%

During the period ended December 31, 2006, options were granted on December 15, 2006. The estimated fair values of the options granted on that date are HK\$1,170,000.

During the period ended December 31, 2005, options were granted on July 30, 2005. The estimated fair values of the options granted on that date are HK\$698,000.



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These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	<b>Six months ended December 31,</b>	
	<b>2006</b>	2005
Weighted average share price	<b>HK\$2.05</b>	HK\$1.02
Exercise price	<b>HK\$2.05</b>	HK\$1.02
Expected volatility	<b>55.97%</b>	23.81%
Expected life	<b>5 years</b>	5 years
Risk-free rate	<b>3.796%</b>	3.604%
Expected dividend yield	<b>0%</b>	7%

Expected volatility was determined by using the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK\$166,000 (7.1.2005 to 12.31.2005: HK\$85,000) for the period ended December 31, 2006 in relation to share options granted by the Company.

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### 8. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>Six months ended</b>	
	<b>December 31,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic and diluted earnings per share		
Profit attributable to equity holders of the Company	<b>14,956</b>	29,983
	<i>Number of shares</i>	
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>508,682,000</b>	508,682,000
Effect of dilutive potential ordinary shares in respect of share options	<b>2,275,658</b>	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>510,957,658</b>	508,682,000

No diluted earnings per share had been presented for the period ended December 31, 2005 because there were no potential dilutive ordinary shares in issue.

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### 9. Movements in investment properties and property, plant and equipment

The directors are of the opinion that the carrying value of the Group's investment properties as at December 31, 2006 is not materially different from the fair value of the investment properties as at June 30, 2006. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group spent approximately HK\$19,882,000 (7.1.2005 to 12.31.2005: HK\$14,845,000) on additions of property, plant and equipment, property, plant and equipment with carrying amount of HK\$1,161,000 (7.1.2005 to 12.31.2005: HK\$320,000) was written off, resulting in a loss of HK\$1,161,000 (7.1.2005 to 12.31.2005: HK\$320,000).

### 10. Trade and other receivables

The Group allows an average credit period of 30 days to 120 days to its trade customers.

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

	<b>December 31, 2006 HK\$'000</b>	June 30, 2006 HK\$'000
0 – 30 days	<b>99,050</b>	64,392
31 – 60 days	<b>42,339</b>	44,208
61 – 90 days	<b>23,559</b>	26,640
91 – 180 days	<b>34,044</b>	18,128
More than 181 days	<b>40,713</b>	81,244
	<b>239,705</b>	234,612

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### 11. Trade and other payables

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

	<b>December 31, 2006 HK\$'000</b>	June 30, 2006 HK\$'000
0 – 30 days	<b>75,723</b>	77,061
31 – 60 days	<b>70,053</b>	55,030
61 – 90 days	<b>42,279</b>	47,698
91 – 180 days	<b>1,795</b>	25,916
181 – 365 days	<b>501</b>	346
	<b>190,351</b>	206,051

### 12. Bank and other borrowings

During the current period, the Group raised new bank loans in the amount of approximately HK\$265,589,000 and obtained other loan of HK\$934,000. The new bank loans bear interest at prevailing market rates. The Group also repaid bank loans of approximately HK\$266,027,000 during the period. The net proceeds were used as general working capital.

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### 13. Related party transactions

- (I) During the period, the Group had the following transactions with related parties:

	Six months ended December 31,	
	2006 HK\$'000 (Note a)	2005 HK\$'000 (Note b)
Management fee received	–	525
Purchase of finished goods	–	2,905
Sales of finished goods	<b>2,270</b>	<b>366</b>

Notes:

- (a) The transaction was entered with an associate of the Group.
- (b) The transactions were entered with Weblink Technology Limited and its subsidiaries before they became subsidiaries of the Company during the period ended December 31, 2005.

### (II) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended December 31,	
	2006 HK\$'000	2005 HK\$'000
Short-term benefits	<b>5,482</b>	4,134
Post-employment benefits	<b>40</b>	29
	<b>5,522</b>	<b>4,163</b>

In the opinion of the directors, the remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

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### 14. Event after balance sheet date

On February 28, 2007, the Group acquired the remaining 50% equity interest in FTE Maximal – Comercio de Antenas e Electronica, Lda (“FTE”), a limited company incorporated in Portugal, at a consideration of Euro 1 million (equivalent to approximately HK\$10,330,000). FTE was an associate of the Group with 50% equity interest as at December 31, 2006. After acquisition of the remaining 50% equity interest in FTE, FTE become a wholly owned subsidiary of the Company. The Group is in the process of assessing the fair values of the identifiable assets and liabilities and contingent liabilities of FTE, therefore, the financial effects of the acquisition are not disclosed.