



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 September 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 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 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March 2006. The application of the new standards, amendments and interpretations had no material effect on how the results for the current and/or prior accounting periods are prepared and presented.

Potential impact arising from the recently issued Accounting Standards

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 8	Scope of HKFRS 2 ²
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ³
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1st January 2007.

² Effective for annual periods beginning on or after 1st May 2006.

³ Effective for annual periods beginning on or after 1st June 2006.

⁴ Effective for annual periods beginning on or after 1st November 2006.



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 2006

	Europe HK\$'000	USA HK\$'000	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover							
External sales	199,581	552,511	50	439,436	85,862	-	1,277,440
Inter-segment sales	-	-	426	7,519	8,900	(16,845)	-
Total	199,581	552,511	476	446,955	94,762	(16,845)	1,277,440
Segment results	28,371	77,336	313	61,684	13,353		181,057
Interest income							5,731
Unallocated corporate expenses							(9,933)
Profit from operations							176,855
Finance costs							(28,589)
Profit before taxation							148,266
Taxation							(5,212)
Profit for the period							143,054



Six months ended 30 September 2005

	Europe HK\$'000	USA HK\$'000	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover							
External sales	227,415	499,008	20,488	329,275	98,464	-	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	108,066	(194,503)	1,174,650
Segment results	33,368	73,142	5,944	48,248	14,433		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

4. OTHER OPERATING INCOME

	Six months ended	
	30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) HK\$'000
Reversal of allowance for bad and doubtful debts	-	19,108
Gain on disposal of machinery held for sale	-	2,878
Interest income	5,731	3,396
Others	2,252	1,142
	7,983	26,524



5. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2006	30.9.2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	14,280	14,397
Amortisation of trade marks	6,315	5,740
Interest on:		
Bank borrowings wholly repayable within five years	28,560	12,461
Finance leases	29	193

6. TAXATION

	Six months ended	
	30.9.2006	30.9.2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
The Company and subsidiaries:		
Hong Kong Profits Tax	-	-
PRC Enterprise Income Tax	(5,212)	(2,383)
	(5,212)	(2,383)

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.

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 50% reduction in Enterprise Income Tax under certain tax holidays and concessions.



7. DIVIDENDS

	Six months ended	
	30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) HK\$'000
Interim dividend of HK7.5 cents (2005: HK5 cents) per share	51,519	34,344
2005 Special dividend of HK7 cents per share	–	48,081
	51,519	82,425

The directors have resolved to pay an interim dividend of HK7.5 cents per share (2005: an interim dividend of HK5 cents per share and a special dividend of HK7 cents per share) to the shareholders of the Company whose names appear on the register of members of the Company on 8 January 2007.

8. EARNINGS PER SHARE

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

	Six months ended	
	30.9.2006 (unaudited) HK\$'000	30.9.2005 (unaudited) 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)	143,054	152,165
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	686,924,683	671,192,519
Effect of dilutive potential ordinary shares – share options	5,843,316	8,388,284
Weighted average number of ordinary shares for the purpose of diluted earnings per share	692,767,999	679,580,803



9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$4,046,000 (2005: HK\$5,366,000) and disposed of property, plant and equipment with an aggregate net book value of approximately HK\$14,000 (2005: HK\$126,000).

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:

	30.9.2006 (unaudited) HK\$'000	31.3.2006 (audited) HK\$'000
0-30 days	356,040	57,649
31-90 days	268,918	25,718
91-180 days	45,608	323,036
Over 180 days	159,724	209,490
	830,290	615,893
Less: Allowance for bad and doubtful debts	(26,043)	(26,043)
	804,247	589,850
Other receivables	37,507	38,546
	841,754	628,396



11. TRADE AND OTHER PAYABLES

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

	30.9.2006 (unaudited) HK\$'000	31.3.2006 (audited) HK\$'000
0 – 90 days	9,791	34,644
91 – 180 days	13,712	16,063
Over 180 days	35,280	25,730
	58,783	76,437
Other payables	124,715	130,951
	183,498	207,388

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.

13. BANK BORROWINGS

During the period, the Group obtained new bank loans and trust receipt and import loans amounting to approximately HK\$1,394,200,000 (2005: HK\$1,117,030,000) and repaid loans amounting to approximately HK\$1,461,122,000 (2005: HK\$718,442,000). 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\$119,000 (2005: HK\$26,090,000).



15. SHARE CAPITAL

Ordinary shares of HK\$0.05 each

	Number of shares	Amount HK\$'000
Authorised:		
At 1 April 2006 and 30 September 2006	10,000,000,000	500,000
Issued and fully paid:		
At 1 April 2006 and 30 September 2006	686,924,683	34,346

16. PLEDGE OF ASSETS

At the balance sheet date, certain borrowings of the Group were secured by the bank deposits of approximately HK\$1,299,000 (31 March 2006: HK\$4,236,000).

17. CONTINGENT LIABILITIES

In 2004, Matsunichi Hi-Tech Limited ("MHT"), being a subsidiary of the Company, received summons from an independent third party ("ITP"). The ITP claimed MHT was infringing and/or inducing infringement of 5 patents of ITP ("ITP Patents") in relation to a product designed and manufactured by a supplier of MHT (the "Supplier"). MHT is claimed by damages in an amount of three times of an amount adequate to compensate the ITP for MHT's infringement of the ITP Patents, interest on the said damages and respective costs and attorney's costs. 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. In addition, 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. Up to the date of this report, the above case is still in progress.