

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

The unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 December 2001. In addition, the Group has adopted the following revised SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 15 (Revised)	Cash flow statements

In accordance with SSAP 15 (Revised), the cash flow equivalents is presented by means of cash flow statement which classifies cash flows during the period according to operating, investing and financing activities. Condensed consolidated cash flow statement for the six months ended 30 June 2001 have been presented on a consistent basis.

Except for the above, the adoption of the new SSAPs has no material impact on the Group's consolidated financial statements.

2. Turnover and segment information

The Group is principally engaged in the design, development, manufacture and sale of magnetic commonly used in consumer electronics, telecommunication equipment, data processing appliances and other electronics systems for coupling, isolation, filtering, interfacing and timing control appliances.

The following is an analysis of the Group's turnover by geographical locations where merchandise is delivered:

	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
United States of America	31,991	46,565
Europe	18,213	52,938
South East Asia (excluding Hong Kong)	3,596	5,415
Hong Kong	3,535	859
Middle East	-	56
	57,335	105,833

No analysis of profit attributable to shareholders by geographical locations is presented as they were generally in line with the distribution of turnover as set out above.

3. Profit before taxation

Profit before taxation in the condensed consolidated income statement was determined after charging or crediting the following items:

	Six months ended 30 June	
	2002 HK\$'000	2001 <i>HK\$'000</i>
After charging –		
Depreciation of property, plant and equipment	1,091	3,159
Amortization of goodwill	508	486
Staff costs (including directors' remuneration)	21,512	22,882
After crediting –		
Gain on disposal of fixed assets	4	–

4. Taxation

	Six months ended 30 June	
	2002 HK\$'000	2001 <i>HK\$'000</i>
Hong Kong profits tax	677	4,117
Overseas taxation	28	150
	705	4,267

Hong Kong profits tax was calculated at the rate of 16% (2001: 16%) on the estimated assessable profit arising in or derived from Hong Kong during the period. Overseas taxation was calculated at the rates applicable in the respective jurisdictions.

5. Dividend

At the board meeting held on 25 September 2002, the directors declared an interim dividend of 3 cents per share, totalling HK\$9,600,000. Such dividend was not reflected as dividend payable in the accounts, but as a separate component of shareholders funds as at 30 June 2002.

No interim dividend was declared for the corresponding period last year.

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2002 was based on the profit attributable to shareholders of approximately HK\$1,665,000 (2001: HK\$19,927,000) and on the weighted average number of 320,000,000 (2001: 243,977,900) shares in issue during the period.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the period (2001: Nil).

7. Accounts receivable

The aging analysis of accounts receivable is as follows:

	As at 30 June 2002 HK\$'000	As at 31 December 2001 HK\$'000
Aged		
0 to 30 days	10,614	9,999
31 to 60 days	6,362	5,678
61 to 90 days	3,015	2,273
91 to 180 days	2,130	1,080
Over 180 days	1,163	656
	23,284	19,686

8. Accounts payable

The aging analysis of accounts payable is as follows:

	As at 30 June 2002 HK\$'000	As at 31 December 2001 HK\$'000
Aged		
0 to 30 days	1,899	2,351
31 to 60 days	1,585	721
61 to 90 days	334	43
	3,818	3,115

9. Share Capital

	Number of shares '000	Nominal Value HK\$'000
Authorised shares of HK\$0.1 each		
At 30 June 2002 and 1 January 2002	1,000,000	100,000
Issued and fully paid shares of HK\$0.1 each		
At 30 June 2002 and 1 January 2002	320,000	32,000