



Notes:

1. Principal accounting policies

The same principal accounting policies and methods of computation are followed in the interim financial statements for the three months and six months ended 31st October 2002 as compared with the most recent published annual financial statements for the year ended 30th April 2002. The interim financial statements comply with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The Group has adopted a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants for the first time in the current period. The adoption of these new or revised SSAPs had no material effect on the Group's financial statements, except in accordance with the revised SSAP 1 "Presentation of financial statements", a consolidated statement of changes in shareholders' equity is presented instead of a consolidated statement of recognised gains and losses, and in accordance with the revised SSAP 15 "Cash flow statements", the presentation of the consolidated cash flow statement has been amended.

2. Turnover and segment information

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of coils, capacitors, power supply devices and other electronic components. The Group's products are generally used in the manufacture of various kinds of electronic and electrical products.

Analysis of turnover and profit (loss) from operations by business segment is as follows:

	Turnover			
	Three months ended		Six months ended	
	31st October		31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	108,379	83,090	203,438	148,196
Capacitors manufacturing	13,610	11,230	22,413	15,984
Power supply devices manufacturing	1,700	1,925	3,398	1,925
Electronic components trading	8,906	8,238	18,710	18,148
	132,595	104,483	247,959	184,253

	Profit (loss) from operations			
	Three months ended		Six months ended	
	31st October		31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	7,298	10,474	15,896	21,699
Capacitors manufacturing	456	1,111	1,005	2,397
Power supply devices manufacturing	(274)	11	(270)	11
Electronic components trading	(700)	(180)	(1,067)	217
	6,780	11,416	15,564	24,324



Analysis of turnover and profit (loss) from operations by geographical segment is as follows:

	Turnover			
	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	82,830	70,981	164,371	130,183
Mainland China	11,837	5,646	20,264	10,249
Taiwan	20,027	13,209	33,956	18,975
Europe	7,827	4,858	12,486	8,170
Singapore	7,071	4,996	12,111	9,737
Others	3,003	4,793	4,771	6,939
	132,595	104,483	247,959	184,253

	Profit (loss) from operations			
	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,181	9,241	8,416	20,690
Mainland China	542	1,186	3,418	1,630
Taiwan	603	775	1,502	1,812
Europe	427	800	763	1,654
Singapore	1,619	(101)	2,609	19
Others	(592)	(485)	(1,144)	(1,481)
	6,780	11,416	15,564	24,324



3. Profit before taxation

Profit before taxation in the consolidated income statement is stated after crediting and charging the following:

	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting –				
Interest income from bank deposits	110	321	235	759
Charging –				
Depreciation of property, plant and equipment	17,940	11,966	32,432	22,565
Amortisation of intangible asset	267	266	534	533
Employment costs (including directors' emoluments)	22,155	25,269	46,530	48,830
Interest expense on				
– bank overdrafts and loans wholly repayable within five years	3,365	3,873	7,143	7,694
– factoring of trade receivables	670	688	1,396	1,350
– finance leases	442	1,593	891	3,879

4. Taxation

Taxation consisted:

	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Company and subsidiaries				
Current taxation –				
– Hong Kong profits tax	66	762	508	1,348
– Mainland China enterprise income tax	235	71	532	250
Deferred taxation – Hong Kong profits tax	–	–	–	–
	301	833	1,040	1,598
Associate and jointly controlled entities				
Current taxation – Hong Kong profits tax	–	–	–	–
	301	833	1,040	1,598



The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit arising in or derived from Hong Kong.

Zhongshan Tonichi Ferrite Products Co., Ltd., Zhongshan Coils Metalwork Co., Ltd. and Zhongshan Coils Electronic Co., Ltd., wholly foreign owned enterprises established in Zhongshan, the open coastal area of Mainland China, are subject to Mainland China enterprise income tax at a rate of 24%, while Xiamen Coils Electronic Co., Ltd., a wholly foreign owned enterprise established in Xiamen, a special economic zone in Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%.

For all other companies within the Group, profits tax was provided at tax rates in the respective jurisdictions in which they operate.

5. Dividends

The Directors resolved not to declare any interim dividend in respect of the six months ended 31st October 2002 (2001: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st October 2002 is based on the profit attributable to shareholders of approximately HK\$2,095,000 (2001: HK\$4,730,000) and on the weighted average number of 693,028,811 (2001: 640,861,292) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31st October 2002 is based on the profit attributable to shareholders of approximately HK\$5,294,000 (2001: HK\$10,477,000) and on the weighted average number of 687,115,768 (2001: 637,246,911) shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 31st October 2002 is based on the profit attributable to shareholders of approximately HK\$2,095,000 (2001: HK\$4,730,000) and on the weighted average number of 693,028,811 (2001: 658,002,000) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 31st October 2002 is based on the profit attributable to shareholders of approximately HK\$5,294,000 (2001: HK\$10,477,000) and on the weighted average number of 687,115,768 (2001: 654,683,317) shares, adjusted to reflect the effect of all dilutive potential shares in issue during the period.



A reconciliation of the weighted average number of shares used in the calculation of basic earnings per share for the three months and six months ended 31st October 2002 to that used in the calculation of diluted earnings per share is as follows:

	Three months ended 31st October		Six months ended 31st October	
	2002	2001	2002	2001
Weighted average number of shares used in the calculation of basic earnings per share	693,028,811	640,861,292	687,115,768	637,246,911
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all warrants outstanding during the period	-	17,140,708	-	17,436,406
Weighted average number of shares used in the calculation of diluted earnings per share	693,028,811	658,002,000	687,115,768	654,683,317

The outstanding share options and warrants during the three months and six months ended 31st October 2002 were anti-dilutive. The outstanding share options during the three months and six months ended 31st October 2001 were anti-dilutive.

7. Property, plant and equipment

During the six months ended 31st October 2002, the additions to property, plant and equipment were approximately HK\$15,114,000 (six months ended 31st October 2001: HK\$55,445,000).

8. Trade receivables

Aging analysis of trade receivables is:

	As at 31st October 2002 HK\$'000	As at 30th April 2002 HK\$'000
Current	55,910	27,527
Overdue by 0 - 1 month	8,037	9,937
Overdue by 1 - 2 months	9,122	3,284
Overdue by 2 - 3 months	2,128	842
Overdue by more than 3 months	1,742	2,218
	76,939	43,808
Less: Provision for bad and doubtful debts	(2,550)	(1,808)
	74,389	42,000

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimates. The Group offers an average credit period ranging from one to three months to its trade customers who have good payment records and well-established relationships with the Group.



9. Trade payables

Aging analysis of trade payables is:

	As at 31st October 2002 HK\$'000	As at 30th April 2002 HK\$'000
Current	21,712	25,386
Overdue by 0 - 1 month	6,714	7,525
Overdue by 1 - 2 months	4,976	3,112
Overdue by 2 - 3 months	3,148	2,344
Overdue by more than 3 months	4,186	3,229
	40,736	41,596

10. Share capital

Movements in share capital were:

	Six months ended 31st October 2002		Year ended 30th April 2002	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised shares of HK\$0.10 each				
Beginning and end of period/year	1,000,000,000	100,000	1,000,000,000	100,000
Issued and fully paid shares of HK\$0.10 each				
Beginning of period/year	661,028,811	66,103	528,027,108	52,803
Issue of shares upon exercise of warrants	-	-	1,050,000	105
Bonus issue	-	-	105,815,421	10,581
Issue of shares pursuant to scrip dividend scheme	-	-	5,548,047	555
Issue of new shares	32,000,000	3,200	20,588,235	2,059
End of period/year	693,028,811	69,303	661,028,811	66,103



11. Share options

Under the share option scheme adopted by the Company on 26th October 1999 (the "Old Scheme"), the Directors may grant options to any employees or executives of the Company or any of its subsidiaries, including executive directors (but excluding independent non-executive directors of the Company) of the Company or any of its subsidiaries, to subscribe for shares in the Company. On 26th September 2002, the Old Scheme was terminated and a new share option scheme (the "New Scheme") was adopted by the Company. No further share options can be offered under the Old Scheme. However, all other respects of the provisions of the Old Scheme shall remain in full force and holders of the share options of the Old Scheme may still exercise such outstanding share options pursuant to their respective expiry dates under the Old Scheme.

The purpose of the New Scheme is to provide full-time employees, including executive directors and non-executive directors of the Company or any of its subsidiaries (including independent non-executive directors of the Company) with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

Movements in share options granted under the Old Scheme during the six months ended 31st October 2002 were as follows:

Name	Subscription price per share	Beginning of period	Number of shares under options		End of period
			Exercised during the period	Lapsed during the period	
(i) Directors					
Mr. Lam Wai Chun	HK\$1.02*	3,527,194	-	-	3,527,194
Mr. Saito Misao	HK\$1.02*	3,527,194	-	-	3,527,194
Ms. Tang Fung Kwan	HK\$1.02*	3,527,194	-	-	3,527,194
(ii) Employees					
	HK\$1.02*	3,527,194	-	-	3,527,194
	HK\$0.75**	34,740,000	-	(540,000)	34,200,000
		48,848,776	-	(540,000)	48,308,776

* Such share options were granted on 21st September 2000. The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 22nd September 2002 to 21st September 2003, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st September 2002; (b) up to three-eighths of the options are exercisable from 22nd September 2003 to 21st June 2004, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st September 2003; (c) up to three-eighths of the options are exercisable from 22nd June 2004 to 21st January 2005, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st June 2004. Any options not exercised during each of the exercisable periods will lapse immediately after the relevant exercisable period.

** Such share options were granted on 1st November 2000. The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 1st November 2002 to 31st October 2003, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st October 2002; (b) up to three-eighths of the options are exercisable from 1st November 2003 to 31st July 2004, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st October 2003; and (c) up to three-eighths of the options are exercisable from 1st August 2004 to 28th February 2005, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st July 2004. Any options not exercised during each of the exercisable periods will lapse immediately after the relevant exercisable period.

During the six months ended 31st October 2002, no share option has been granted under the New Scheme.



12. Warrants

As at 31st October 2002, the Company had outstanding warrants of 300,800,000 units (as at 30th April 2002: 300,800,000 units), exercisable at any time from 3rd July 2000 to 30th September 2003, both dates inclusive. These warrants entitled the warrant holders to subscribe for 90,546,938 shares in the Company at HK\$0.49 per share (subject to adjustment).

13. Reserves and proposed final dividends

Movements were:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000	Proposed final dividends HK\$'000
As at 1st May 2001	24,490	13,934	17,454	17,476	(234)	140,304	213,424	5,280
Bonus issue	(10,581)	-	-	-	-	-	(10,581)	-
Premium arising from issue of shares pursuant to the scrip dividend scheme	3,196	-	-	-	-	-	3,196	-
Proceeds from exercise of warrants	514	-	-	-	-	-	514	-
Premium arising from issue of shares on exercise of warrants	240	-	(240)	-	-	-	-	-
Premium arising from issue of new shares	11,941	-	-	-	-	-	11,941	-
Share issue expense	(239)	-	-	-	-	-	(239)	-
Surplus on revaluation of properties	-	-	-	3,590	-	-	3,590	-
Profit attributable to shareholders	-	-	-	-	-	5,973	5,973	-
Dividends paid	-	-	-	-	-	-	-	(3,751)
- scrip dividends	-	-	-	-	-	-	-	(3,751)
- cash dividends	-	-	-	-	-	(11)	(11)	(1,529)
Translation adjustments	-	-	-	-	96	-	96	-
As at 30th April 2002	29,561	13,934	17,214	21,066	(138)	146,266	227,903	-
Premium arising from issue of new shares	5,120	-	-	-	-	-	5,120	-
Share issue expense	(3)	-	-	-	-	-	(3)	-
Profit attributable to shareholders	-	-	-	-	-	5,294	5,294	-
Translation adjustments	-	-	-	-	1,582	-	1,582	-
As at 31st October 2002	34,678	13,934	17,214	21,066	1,444	151,560	239,896	-



14. Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	As at 31st October 2002 HK\$'000	As at 30th April 2002 HK\$'000
Discounted bills with recourse	–	205
Factoring of trade receivables with recourse	38,636	36,618
	38,636	36,823

BUSINESS REVIEW

During the period under review, according to the “APEC Economic Outlook 2002” presented by the Asia-Pacific Economic Cooperation (“APEC”), the Group believed that the poor economy appeared to bottom out and start making its way back to stability. Although the market was only just stabilising, leveraging its solid foundations and successful marketing strategies, the Group recorded turnover of HK\$247,959,000 (2001: HK\$184,253,000) for the six months ended 31st October 2002, growing at 34.6% over the corresponding period last year. The growth in turnover for nearly all markets of the Group during the current period has confirmed that the Group was steering for the correct direction by investment in expansion and upgrade of production facilities in recent years. The resulting top quality of the Group’s products, which met the stringent requirements of its customers well, was the key to strong acceptance by the markets.



Product prices were still pressurised under the difficult market atmosphere during the period under review, leading to a drop in the Group’s gross profit margin from 29.4% for the six months ended 31st October 2001 to 22.0% for the same period this year. The repercussion on the Group’s half-yearly results was also further, but believed to be temporarily, amplified by the 43.7% jump in depreciation of property, plant and equipment due to the heavy capital expenditures on production facilities during the past years. The profit attributable to shareholders for the six months ended 31st October 2002 was HK\$5,294,000 (2001: HK\$10,477,000), down 49.5% year-on-year. Despite this, the Group believes that the investments will payoff eventually, for the new and sophisticated production facilities will enhance the Group’s competitiveness in the long term. The Group is also actively fine-tuning its cost control policies such as procuring quality raw materials from the Mainland China at more competitive prices and giving up unrewarding operations among the Group’s various business streams, which were reviewed in the following.