

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.

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 2002, except for the change in accounting policy as described below.

In the current period, the Group has adopted SSAP 12 (Revised) Income Taxes for the first time. The principal effect of its implementation is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result, deferred tax liability as at 31 December 2001 and 31 December 2002 increased by HK\$1,440,000 and HK\$830,000 respectively (with corresponding reduction in revaluation reserve), representing the deferred tax liability recognized in respect of the revaluation surplus on the Group's properties at that date.

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	
	2003 HK\$'000	2002 <i>HK\$'000</i>
United States of America (the "US")	49,931	31,991
Europe	16,393	18,213
Southeast Asia (excluding Hong Kong)	1,235	3,596
Hong Kong	40	3,535
	67,599	57,335

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 was determined after charging or crediting the following items:

	Six months ended 30 June	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
After charging:		
Depreciation of property, plant and equipment	1,509	1,091
Amortisation of goodwill	511	508
Staff costs (including directors' remuneration)	18,162	21,512
After crediting:		
Gain on disposal of fixed assets	-	4

4. Taxation

	Six months ended 30 June	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hong Kong profits tax	2,109	677
Overseas taxation	29	28
	2,138	705

Hong Kong profits tax was calculated at the rate of 17.5% (2002: 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 19 September 2003, the Directors proposed an interim dividend of 2 cents per share, totalling HK\$6,400,000 (2002: HK\$9,600,000).

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2003 was based on the profit attributable to shareholders of approximately HK\$7,714,000 (2002: HK\$1,665,000) and on the weighted average number of 320,000,000 (2002: 320,000,000) 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 (2002: Nil).

7. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Audited) HK\$'000
0 to 30 days	11,006	9,326
31 to 60 days	8,297	4,296
61 to 90 days	3,603	2,287
Over 90 days	6,882	2,146
	29,788	18,055

8. Trade payables

The aging analysis of trade payables is as follows:

	As at 30 June 2003 (Unaudited) HK\$'000	As at 31 December 2002 (Audited) HK\$'000
0 to 30 days	2,940	3,763
31 to 60 days	1,200	2,748
61 to 90 days	197	936
Over 90 days	76	318
	4,413	7,765

9. Share Capital

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.1 each		
At 1 January 2003 and 30 June 2003	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each		
At 1 January 2003 and 30 June 2003	320,000,000	32,000