

NOTES TO CONDENSED ACCOUNTS

I. Basis of presentation and accounting policies

These unaudited condensed consolidated interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants ("HKSA").

These condensed interim accounts should be read in conjunction with the annual accounts for the year ended 31st March 2003.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st March 2003 except that the Group has changed its accounting policy following its adoption of SSAP 12 "Income taxes (revised)" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policy and the effect of adopting SSAP 12 (revised) is as follows:

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 (revised) represents a change in accounting policy. Since the effect of the change on the Group's prior year's financial position is not material, the effect upon adoption has been all taken as current period results.

2. Turnover and segment information

The Group is principally engaged in the manufacturing and selling of customer electronic products and printed circuit boards.

An analysis of the Group's turnover and results for the period by business segments and geographical segments is as follows:

(a) *Primary reporting format – business segments:*

	Electronic products 2003 HK\$'000	Unaudited Printed circuit boards 2003 HK\$'000	Group 2003 HK\$'000
Turnover	<u>78,556</u>	<u>209,098</u>	<u>287,654</u>
Segment results	<u>33</u>	<u>19,611</u>	19,644
Unallocated costs			<u>(10,756)</u>
Operating profit			8,888
Finance costs			<u>(2,319)</u>
Profit before taxation			6,569
Taxation			<u>(1,768)</u>
Profit attributable to shareholders			<u>4,801</u>
	Electronic products 2002 HK\$'000	Unaudited Printed circuit boards 2002 HK\$'000	Group 2002 HK\$'000
Turnover	<u>80,932</u>	<u>122,379</u>	<u>203,311</u>
Segment results	<u>9,752</u>	<u>632</u>	10,384
Unallocated costs			<u>(4,281)</u>
Operating profit			6,103
Finance costs			<u>(3,054)</u>
Profit before taxation			3,049
Taxation			<u>23</u>
Profit attributable to shareholders			<u>3,072</u>

(b) Secondary reporting format – geographical segments:

	Unaudited			
	Turnover		Segment results	
	Six months ended 30th September		Six months ended 30th September	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Principal markets:				
Hong Kong and Mainland China	54,253	30,850	8,210	4,024
America	69,557	66,221	(39)	3,755
South East Asia	67,541	46,204	5,564	283
Europe	96,303	60,036	5,909	2,322
	287,654	203,311	19,644	10,384

3. Operating profit

	For the six months ended 30th September	
	2003 HK\$	2002 HK\$
Operating profit is stated after crediting and charging the following:		
Crediting		
Gain on disposal of fixed assets	447,548	437,736
Charging		
Depreciation		
Owned fixed assets	10,705,647	8,128,546
Fixed assets held under finance leases	4,845,150	6,192,136
Loss on disposal of leasehold land	6,046,992	–
Additional customs duty and import value-added tax on consumable tools	2,814,376	–

4. Staff costs

	For the six months ended 30th September	
	2003 HK\$	2002 HK\$
Wages and salaries	25,382,581	21,901,576
Social security costs	817,957	686,941
Pension costs-defined contribution plans	185,452	124,119
	<u>26,385,990</u>	<u>22,712,636</u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/04.

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	For the six months ended 30th September	
	2003 HK\$	2002 HK\$
Current taxation		
Hong Kong profits tax	–	4,289
Under/(over) provision in prior periods	2,050	(27,093)
	2,050	(22,804)
Deferred taxation relating to the origination and reversal of temporary differences	1,766,370	–
	<u>1,768,420</u>	<u>(22,804)</u>

6. Dividend

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30th September 2003 (2002: Nil).

7. Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$4,801,129 (2002: HK\$3,071,228) and the weighted average number of 31,625,680 (2002: 30,128,194) ordinary shares in issue during the period.

For the purpose of calculation of basic earnings per share, the weighted average number of ordinary shares in issue during the period ended 30th September 2002 has been adjusted to conform with the current period's presentation after the consolidation of shares on 16th September 2003.

Diluted earnings per share is not shown as the potential ordinary shares are anti-dilutive.

8. Fixed assets

	<i>HK\$</i>
Net book amount at 1st April 2003	220,458,682
Additions	8,933,450
Depreciation	(15,550,797)
Disposals	(9,382,840)
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Net book amount at 30th September 2003	<u>204,458,495</u>

9. Trade receivables

Trade receivables are stated net of provision for bad and doubtful debts. The ageing analysis of trade debtors is as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
0 – 3 months	140,554	114,251
4 – 6 months	14,924	2,182
over 6 months	483	1,042
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	<u>155,961</u>	<u>117,475</u>

Sales are made to customers with credit terms of 60-120 days.

10. Trade payables

The ageing analysis of trade payables is as follows:

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
0 – 3 months	87,699	85,266
4 – 6 months	13,967	15,135
over 6 months	522	–
	<u>102,188</u>	<u>100,401</u>

11. Long term liabilities

	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Secured bank loan	4,995,795	3,259,472
Obligation under finance leases	30,263,825	35,659,628
	35,259,620	38,919,100
Current portion of long-term liabilities	(20,790,130)	(23,782,344)
	<u>14,469,490</u>	<u>15,136,756</u>

At 30th September 2003, the Group's bank loans and overdrafts and other borrowings (excluding finance lease liabilities) were repayable as follows:

	Bank loan	
	30th September 2003 HK\$'000	31st March 2003 HK\$'000
Within one year	1,509,271	531,655
In the second year	1,585,310	547,330
In the third to fifth years	1,763,278	1,738,144
After the fifth year	137,936	442,343
	<u>4,995,795</u>	<u>3,259,472</u>

12. Share capital

	Ordinary shares of HK\$0.10 each	
	<i>Na. of shares</i>	<i>HK\$</i>
Authorised:		
At 1st April 2003 and 30th September 2003	<u>700,000,000</u>	<u>70,000,000</u>
	<i>Na. of shares</i>	<i>HK\$</i>
Issued and fully paid:		
At 1st April 2002	527,113,600	52,711,360
Issue of shares	<u>105,400,000</u>	<u>10,540,000</u>
At 31st March 2003	<u>632,513,600</u>	<u>63,251,360</u>
At 1st April 2003	632,513,600	63,251,360
Capital reduction and consolidation	<u>(600,887,920)</u>	<u>(60,088,792)</u>
At 30th September 2003	<u>31,625,680</u>	<u>3,162,568</u>

On 16th September 2003, a capital reorganisation was carried out to consolidate every 20 issued and unissued shares of HK\$0.10 each into one consolidated share of HK\$2.00 each and the paid up capital of the issued consolidated shares was reduced from HK\$2.00 each to HK\$0.10 each by cancelling the paid up capital to the extent of HK\$1.90 on each issued consolidated share. Each of the authorised consolidated shares are subdivided into 20 shares of HK\$0.10 each.

13. Commitments

(a) *Capital commitments for purchase of plant and machinery*

	30th September 2003 HK\$	31st March 2003 HK\$
Contracted but not provided for	<u>3,690,324</u>	<u>5,414,207</u>

(b) *Capital commitments in relation to capital injection to a subsidiary*

	30th September 2003 HK\$	31st March 2003 HK\$
Contracted but not provided for	<u>8,429,101</u>	<u>9,129,101</u>

On behalf of the Board

Yip Sum Yin

Chairman

Hong Kong, 19th December 2003