

Notes:

1. Principal accounting policies

The interim financial statements for the three months and six months ended 31st October 2003 comply with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, and the same principal accounting policies and methods of computation are followed as compared with the most recent published annual financial statements for the year ended 30th April 2003, except that the Group has adopted SSAP 12 (revised) “Income taxes”, which is effective for accounting periods commencing on or after 1st January 2003, and SSAP 13 “Accounting for investment properties”, issued by the Hong Kong Society of Accountants for the first time in the current period.

SSAP 12 (revised) “Income taxes”

In prior years, deferred tax was recognised in respect of the taxation effect arising from material timing differences to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future. Under SSAP 12 (revised), a balance sheet liability method is adopted whereby deferred tax is recognised in respect of temporary differences between the tax bases of assets and liabilities and their carrying amounts. Provision for withholding tax that will arise on the remittance of retained profits is only made where there is a current intention to remit such profits. Deferred tax assets relating to unused tax losses are recognised to the extent that the future utilisation is probable. The new accounting policy has been adopted retrospectively. As a result, the property revaluation reserve as at 30th April 2003 has been reduced by HK\$3,308,000 (2002: HK\$3,300,000) and the retained profits as at 30th April 2003 have been increased by HK\$413,000 (2002: HK\$406,000). The deferred tax liabilities and deferred tax assets as at 30th April 2003 have been increased by HK\$3,308,000 (2002: HK\$3,300,000) and HK\$413,000 (2002: HK\$406,000), respectively. The loss attributable to shareholders for the year ended 30th April 2003 has been reduced by HK\$7,000.

SSAP 13 “Accounting for investment properties”

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm’s length. Investment properties are stated at their open market value. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged. On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement. No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less. The adoption of this SSAP had no material effect on the Group’s financial statements.

2. Segment information

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products; and (ii) the provision of information technology services.

Analysis of turnover and operating profit/(loss) by business segment is as follows:

	Turnover			
	Three months ended		Six months ended	
	31st October		31st October	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	109,680	103,562	206,871	195,733
Capacitors manufacturing	4,188	13,610	6,847	22,413
Electronic components trading	10,742	15,423	19,342	29,813
Information technology services	647	-	2,490	-
	125,257	132,595	235,550	247,959

	Operating profit/(loss)			
	Three months ended		Six months ended	
	31st October		31st October	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	11,377	7,337	21,646	15,803
Capacitors manufacturing	(1,212)	456	(2,100)	1,005
Electronic components trading	195	(491)	581	(722)
Information technology services	(1,354)	(522)	(1,745)	(522)
	9,006	6,780	18,382	15,564

Analysis of turnover and operating profit/(loss) by geographical segment is as follows:

	Turnover			
	Three months ended		Six months ended	
	31st October		31st October	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	77,158	82,830	147,928	164,371
Mainland China	18,757	11,837	31,959	20,264
Taiwan	10,820	20,027	20,335	33,956
Europe	8,993	7,827	15,338	12,486
Singapore	5,743	7,071	12,423	12,111
Others	3,786	3,003	7,567	4,771
	125,257	132,595	235,550	247,959



	Operating profit/(loss)			
	Three months ended		Six months ended	
	31st October		31st October	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	4,977	4,181	10,722	8,416
Mainland China	394	542	2,806	3,418
Taiwan	(148)	603	(403)	1,502
Europe	1,016	427	1,569	763
Singapore	2,898	1,619	3,843	2,609
Others	(131)	(592)	(155)	(1,144)
	9,006	6,780	18,382	15,564

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended		Six months ended	
	31st October		31st October	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Crediting				
Unrealised gain on investment	103	–	252	–
Charging				
Depreciation of property, plant and equipment	17,417	17,940	29,504	32,432
Amortisation of distribution right	–	267	–	534
Cost of inventories sold	95,357	100,871	175,696	189,503
Staff costs (including directors' emoluments)	26,966	22,155	53,436	46,530

4. Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. Subsidiaries of the Company in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 33% (2002: 15% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the consolidated income statement represents:

	Three months ended		Six months ended	
	31st October		31st October	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– current tax	–	66	–	508
– over-provision in prior years	(1)	–	(19)	–
Mainland China enterprise income tax				
– current tax	33	235	95	532
Deferred taxation	577	–	822	–
	609	301	898	1,040
Shares of taxation attributable to:				
– associates	–	–	–	–
– jointly controlled entities	–	–	–	–
	609	301	898	1,040

5. Dividends

The Directors resolved not to declare any interim dividend in respect of the six months ended 31st October 2003 (2002: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st October 2003 is based on the profit attributable to shareholders of approximately HK\$3,948,000 (2002: HK\$2,095,000) and the weighted average number of 693,028,811 (2002: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the six months ended 31st October 2003 is based on the profit attributable to shareholders of approximately HK\$8,543,000 (2002: HK\$5,294,000) and the weighted average number of 693,028,811 (2002: 687,115,768) shares in issue during the period.

Diluted earnings per share is not presented as the outstanding share options and warrants during the three months and six months ended 31st October 2002 and 31st October 2003 were anti-dilutive.

7. Property, plant and equipment

During the six months ended 31st October 2003, the additions to property, plant and equipment were approximately HK\$37,719,000 (six months ended 31st October 2002: HK\$15,114,000).



8. Investment properties

During the six months ended 31st October 2003, the additions to investment properties were approximately HK\$2,291,000 (six months ended 31st October 2002: Nil).

9. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st October 2003 HK\$'000	As at 30th April 2003 HK\$'000
Current	56,516	52,393
Overdue by 0 – 1 month	7,078	9,472
Overdue by 1 – 2 months	7,024	3,879
Overdue by 2 – 3 months	3,454	5,923
Overdue by more than 3 months	13,553	8,922
	<u>87,625</u>	<u>80,589</u>
Less: Provision for bad and doubtful debts	(3,308)	(2,909)
	<u>84,317</u>	<u>77,680</u>

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.

10. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st October 2003 HK\$'000	As at 30th April 2003 HK\$'000
Current	32,793	29,248
Overdue by 0 – 1 month	3,772	9,565
Overdue by 1 – 2 months	6,513	4,840
Overdue by 2 – 3 months	1,288	2,656
Overdue by more than 3 months	4,460	5,567
	<u>48,826</u>	<u>51,876</u>

11. Share capital

Movements in share capital are as follows:

	Six months ended 31st October 2003		Year ended 30th April 2003	
	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	693,028,811	69,303	661,028,811	66,103
Issue of new shares	-	-	32,000,000	3,200
End of period/year	693,028,811	69,303	693,028,811	69,303

12. 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, a new share option scheme (the "New Scheme") was adopted by the Company and the Old Scheme was terminated. No further 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 all options granted under the Old Scheme prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of the Old Scheme until the expiry of the said options.

The purpose of the New Scheme is to provide any full-time employees of the Company or any of its subsidiaries (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 participants 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 options granted under the Old Scheme during the six months ended 31st October 2003 are as follows:

Date of grant	Vesting period	Exercisable period	Subscription price per share	Number of shares under options			End of period
				Beginning of period	Exercised during the period	Lapsed during the period	
(i) Directors							
<i>Mr. Lam Wai Chun</i>							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	-	1,322,698
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				3,527,194	-	(881,798)	2,645,396
<i>Mr. Saito Misao (resigned on 30th June 2003)</i>							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	(1,322,698)	-
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	(1,322,698)	-
				3,527,194	-	(3,527,194)	-
<i>Ms. Tang Fung Kwan</i>							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	-	1,322,698
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				3,527,194	-	(881,798)	2,645,396



Date of grant	Vesting period	Exercisable period	Subscription price per share	Number of shares under options			End of period
				Beginning of period	Exercised during the period	Lapsed during the period	
<i>Mr. Law Hoo Shan</i>							
1st November 2000	1st November 2000 to 31st October 2002	1st November 2002 to 31st October 2003	HK\$0.75	420,000	-	-	420,000
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	630,000	-	-	630,000
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	630,000	-	-	630,000
				1,680,000	-	-	1,680,000
<i>Mr. Ho Kwok Keung (resigned on 14th August 2003)</i>							
1st November 2000	1st November 2000 to 31st October 2002	1st November 2002 to 31st October 2003	HK\$0.75	195,000	-	-	195,000
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	292,500	-	-	292,500
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	292,500	-	-	292,500
				780,000	-	-	780,000
(ii) Employees							
21st September 2000	21st September 2000 to 21st September 2002	22nd September 2002 to 21st September 2003	HK\$1.02	881,798	-	(881,798)	-
21st September 2000	21st September 2000 to 21st September 2003	22nd September 2003 to 21st June 2004	HK\$1.02	1,322,698	-	-	1,322,698
21st September 2000	21st September 2000 to 21st June 2004	22nd June 2004 to 21st January 2005	HK\$1.02	1,322,698	-	-	1,322,698
				3,527,194	-	(881,798)	2,645,396
1st November 2000	1st November 2000 to 31st October 2002	1st November 2002 to 31st October 2003	HK\$0.75	7,800,000	-	-	7,800,000
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	11,700,000	-	-	11,700,000
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	11,700,000	-	-	11,700,000
				31,200,000	-	-	31,200,000
				47,768,776	-	(6,172,388)	41,596,188

During the six months ended 31st October 2003, no option has been granted under the New Scheme.



13. Warrants

As at 1st May 2003, there were outstanding warrants of 300,800,000 units, which carry subscription rights of HK\$1.475 for every 10 units of warrants entitling the holders thereof to subscribe in cash for 90,546,938 new shares in the Company at an adjusted subscription price of HK\$0.49 per new share (subject to adjustment) from the date of issue (3rd July 2000) to 30th September 2003 (both dates inclusive). The subscription rights attached to all the outstanding warrants expired on 30th September 2003 and following such date, the warrants ceased to be valid for any purpose. Up to 30th September 2003, no warrant has been exercised.

14. Reserves

Movements in reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription right reserve HK\$'000	Property revaluation reserve HK\$'000	Mainland China statutory reserve HK\$'000	Cumulative translation adjustments HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1st May 2002								
– as previously reported	29,561	13,934	17,214	21,066	–	(138)	146,266	227,903
– effect of adopting SSAP 12 (revised)	–	–	–	(3,300)	–	–	406	(2,894)
– as restated	29,561	13,934	17,214	17,766	–	(138)	146,672	225,009
Premium arising from issue of new shares	6,560	–	–	–	–	–	–	6,560
Share issue expense	(3)	–	–	–	–	–	–	(3)
Provision for deferred taxation	–	–	–	(8)	–	–	–	(8)
Loss attributable to shareholders	–	–	–	–	–	–	(4,940)	(4,940)
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	137	–	(137)	–
Translation adjustments	–	–	–	–	–	1,443	–	1,443
As at 30th April 2003	36,118	13,934	17,214	17,758	137	1,305	141,595	228,061
As at 1st May 2003								
– as previously reported	36,118	13,934	17,214	21,066	137	1,305	141,182	230,956
– effect of adopting SSAP 12 (revised)	–	–	–	(3,308)	–	–	413	(2,895)
– as restated	36,118	13,934	17,214	17,758	137	1,305	141,595	228,061
Profit attributable to shareholders	–	–	–	–	–	–	8,543	8,543
Transfer from subscription right reserve to retained profits upon expiration of warrants	–	–	(17,214)	–	–	–	17,214	–
Translation adjustments	–	–	–	–	–	65	–	65
As at 31st October 2003	36,118	13,934	–	17,758	137	1,370	167,352	236,669

15. Contingent liabilities

Contingent liabilities not provided for in the financial statements are:

	As at 31st October 2003	As at 30th April 2003
	HK\$'000	HK\$'000
Factoring of trade receivables with recourse	39,166	25,286

16. Related party transactions

The Group entered into a contract with Rentz Technologies Co., Ltd (“Rentz”), an associate, for construction of a production plant and machineries in Nanjing Mainland China amounting to approximately HK\$16,600,000 and paid HK\$8,577,000 as deposit for the project for the year ended 30th April 2003.

In August 2003, two supplemental contracts were entered between the Group and Rentz for revising the total contract price of the project to HK\$17,600,000 and the payment terms. During the period, the remaining balance of the project was fully settled.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.