

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Nine months ended	
	31st January	
	2004	2003
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Total equity, beginning of period		
– as previously reported	300,259	294,006
– effect of adopting SSAP 12 (revised)	(2,895)	(2,894)
– as restated	297,364	291,112
Exchange gain arising on translation of the financial statements of foreign subsidiaries and associates not recognised in the consolidated income statement	954	1,692
Profit attributable to shareholders	10,206	5,310
Issue of new shares	–	3,200
Premium arising from issue of new shares	–	5,120
Share issue expense	–	(3)
Total equity, end of period	308,524	306,431

Notes:

1. Principal accounting policies

The quarterly consolidated financial statements for the three months and nine months ended 31st January 2004 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 (if any) 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 consolidated income statement. Where a decrease has previously been charged to the consolidated income statement and a revaluation increase subsequently arises, this increase is credited to the consolidated 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 consolidated 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 consolidated 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; (ii) the provision of information technology services; and (iii) the manufacture and sale of ferrite powder which is a major raw material for the production of display tubes.

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

	Turnover			
	Three months ended		Nine months ended	
	31st January		31st January	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	96,988	81,835	303,859	277,568
Capacitors manufacturing	4,034	8,212	10,881	30,625
Electronic components trading	5,948	3,178	25,290	32,991
Information technology services	1,051	–	3,541	–
Ferrite powder manufacturing	3,374	–	3,374	–
	111,395	93,225	346,945	341,184

	Operating profit/(loss)			
	Three months ended		Nine months ended	
	31st January		31st January	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	9,547	4,939	31,893	20,219
Capacitors manufacturing	(814)	366	(2,914)	1,371
Electronic components trading	(117)	(580)	464	(1,301)
Information technology services	(1,025)	–	(2,770)	–
Ferrite powder manufacturing	(778)	–	(778)	–
	6,813	4,725	25,895	20,289

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

	Turnover			
	Three months ended 31st January		Nine months ended 31st January	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	59,292	54,611	207,220	218,982
Mainland China	23,891	10,301	55,850	30,565
Taiwan	7,086	13,502	27,421	47,458
Europe	8,957	5,866	24,295	18,352
Singapore	8,324	5,320	20,747	17,431
Others	3,845	3,625	11,412	8,396
	111,395	93,225	346,945	341,184

	Operating profit/(loss)			
	Three months ended 31st January		Nine months ended 31st January	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong	2,761	3,855	14,183	12,271
Mainland China	1,271	710	4,077	4,128
Taiwan	(97)	315	(500)	1,817
Europe	820	297	2,389	1,060
Singapore	1,710	(26)	5,553	2,583
Others	348	(426)	193	(1,570)
	6,813	4,725	25,895	20,289

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 31st January		Nine months ended 31st January	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
	Crediting			
Unrealised gain on investment	126	178	378	430
Charging				
Depreciation of property, plant and equipment	15,136	11,437	44,640	43,869
Amortisation of distribution right	–	266	–	800
Cost of inventories sold	81,709	68,539	257,405	258,042
Staff costs (including directors' emoluments)	27,969	18,269	81,405	64,799

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% (2003: 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 15% to 33% (2003: 15% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the respective jurisdictions.

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

	Three months ended 31st January		Nine months ended 31st January	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax				
– current tax	256	248	956	756
– over-provision in prior periods	–	–	(19)	–
Mainland China enterprise income tax				
– current tax	139	(55)	234	477
– over-provision in prior periods	(384)	–	(384)	–
Taxation in other jurisdictions				
– current tax	586	–	586	–
Deferred taxation	–	–	822	–
	597	193	2,195	1,233
Share of taxation attributable to an associate	24	–	24	–
	621	193	2,219	1,233

5. Dividend

The Directors resolved not to declare any interim dividend in respect of the nine months ended 31st January 2004 (2003: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January 2004 is based on the profit attributable to shareholders of approximately HK\$1,663,000 (2003: HK\$16,000) and the weighted average number of 693,028,811 (2003: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2004 is based on the profit attributable to shareholders of approximately HK\$10,206,000 (2003: HK\$5,310,000) and the weighted average number of 693,028,811 (2003: 689,086,782) 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 nine months ended 31st January 2003 and 31st January 2004 were anti-dilutive.

7. Property, plant and equipment

During the nine months ended 31st January 2004, the additions to property, plant and equipment were approximately HK\$53,839,000 (2003: HK\$15,883,000).

8. Investment properties

During the nine months ended 31st January 2004, the additions to investment properties were approximately HK\$2,520,000 (2003: Nil).

9. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st January 2004 HK\$'000	As at 30th April 2003 HK\$'000
Current	57,716	52,393
Overdue by 0 – 1 month	8,604	9,472
Overdue by 1 – 2 months	5,148	3,879
Overdue by 2 – 3 months	2,177	5,923
Overdue by more than 3 months	6,505	8,922
	80,150	80,589
Less: Provision for bad and doubtful debts	(3,788)	(2,909)
	76,362	77,680

Management of the Group performs on-going credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimation. 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 January 2004 HK\$'000	As at 30th April 2003 HK\$'000
Current	35,536	29,248
Overdue by 0 – 1 month	7,114	9,565
Overdue by 1 – 2 months	3,639	4,840
Overdue by 2 – 3 months	2,571	2,656
Overdue by more than 3 months	9,344	5,567
	58,204	51,876

11. Share capital

Movements in share capital are as follows:

	Nine months ended 31st January 2004		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 nine months ended 31st January 2004 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
<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	-	(420,000)	1,260,000
<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	-	(195,000)	585,000

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	
(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	-	(1,732,500)	9,967,500
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	11,700,000	-	(1,732,500)	9,967,500
				31,200,000	-	(11,265,000)	19,935,000
				47,768,776	-	(18,052,588)	29,716,188

During the nine months ended 31st January 2004, no option was granted under the New Scheme (2003: Nil).

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 was 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	–	–	–	–	–	–	10,206	10,206
Transfer from subscription right reserve to retained profits upon expiration of warrants	–	–	(17,214)	–	–	–	17,214	–
Transfer from retained profits to Mainland China statutory reserve	–	–	–	–	955	–	(955)	–
Translation adjustments	–	–	–	–	–	954	–	954
As at 31st January, 2004	36,118	13,934	–	17,758	1,092	2,259	168,060	239,221

15. Major non-cash transaction

In December 2003, Rentz Technologies Co., Ltd (“Rentz”), an associate of the Group, reduced its issued share capital from NTD45,000,000 to NTD15,000,000 in proportion to the existing shareholdings. The repayment of the reduced share capital amounting to NTD12,000,000 (approximately HK\$2,700,000), representing 40% of the equity interest in Rentz, made to the Group was fully satisfied by way of plant and equipment in January 2004 .

16. Contingent liabilities

Contingent liabilities not provided for in the consolidated financial statements are:

	As at 31st January 2004 HK\$'000	As at 30th April 2003 HK\$'000
.....		
Factoring of trade receivables with recourse	30,261	25,286

17. Related party transactions

The Group entered into a contract with Rentz for the 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. Up to 31st October 2003, the remaining balance of the project was fully settled.

In November 2003, the Group and Rentz entered into a cancellation agreement to cancel all of the aforesaid contracts for the project.

18. Comparative figures

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