

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The accounting policies and methods of computation used are consistent with those adopted by the Group in its financial statements for the year ended 31 December 2003.

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

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	
	2004	2003
	HK\$'000	HK\$'000
United States of America (the "US")	73,511	49,931
Europe	20,164	16,393
Southeast Asia (excluding Hong Kong)	1,812	1,235
Hong Kong	2,495	40
	97,982	67,599

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 is stated after crediting and charging the following:

	Six months ended 30 June	
	2004 HK\$'000	2003 <i>HK\$'000</i>
Crediting:		
Write-back of provision for obsolete and slow-moving inventories	301	2,601
Charging:		
Amortisation of goodwill	505	511
Cost of inventories sold (excluding write-back of provision for obsolete and slow-moving inventories)	60,558	44,623
Depreciation	1,655	1,509
Staff costs (including directors' remuneration)	19,255	18,162

4. Taxation

	Six months ended 30 June	
	2004 HK\$'000	2003 <i>HK\$'000</i>
Hong Kong profits tax	2,808	2,109
Overseas taxation	106	29
	2,914	2,138

Hong Kong profits tax was calculated at the rate of 17.5% (2003: 17.5%) 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.

The charge for the period can be reconciled to the profit per the condensed consolidated income statement as follows:

	Six months ended 30 June	
	2004 HK\$'000	2003 <i>HK\$'000</i>
Profit before taxation	20,619	9,852
Effect of tax at Hong Kong profits tax rate of 17.5% (2003:17.5%)	3,608	1,724
Income that are not taxable	(784)	(146)
Unrecognised tax losses	189	532
Others	(99)	28
	2,914	2,138

5. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2004 was based on the profit attributable to shareholders of approximately HK\$17,705,000 (2003: HK\$7,714,000) and on the weighted average number of 320,000,000 (2003: 320,000,000) shares in issue during the period.

Diluted earnings per share is not presented as there was no dilutive potential ordinary shares in existence during the period (2003: Nil).

6. Property, plant and equipment

The total cost of additions to property, plant and equipment of the Group during the six months ended 30 June 2004 was HK\$8,155,000 (2003: HK\$647,000). There were no material disposals and write-offs of fixed assets during the six months ended 30 June 2004 and 30 June 2003.

7. Trade receivables

Customers are usually offered a credit period ranging from 30 days to 120 days. The ageing analysis of trade receivables after provision is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
0 to 30 days	17,634	12,524
31 to 60 days	12,656	7,973
61 to 90 days	3,465	3,928
Over 90 days	1,698	5,783
	35,453	30,208

8. Trade payables

The ageing analysis of trade payables is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
0 to 30 days	8,772	4,029
31 to 60 days	4,551	2,063
61 to 90 days	1,945	1,423
Over 90 days	539	753
	15,807	8,268

9. Share capital

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.1 each		
At 1 January 2004 and 30 June 2004	1,000,000,000	100,000
Issued and fully paid ordinary shares		
of HK\$0.1 each		
At 1 January 2004 and 30 June 2004	320,000,000	32,000

10. Related party transactions

During the six months ended 30 June 2004, the Group's sales to Datatronics Romoland, Inc., a company in which Mr. Siu Paul Y., a director, has beneficial interest, amounted to HK\$22,940,000 (2003:HK\$9,216,000). The transactions constituted a continuing connected transaction under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and were carried out in the ordinary course of business and on normal commercial terms.