

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Principal accounting policies

The quarterly condensed consolidated accounts for the three months ended 31st July 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 accounts for the year ended 30th April 2004.

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) sales and manufacture of ferrite powder; and (iii) the provision of information technology services.

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

	Turnover Three months ended 31st July		Operating profit/(loss) Three months ended 31st July	
	2004 HK\$'000	2003 HK\$000	2004 HK\$'000	2003 HK\$'000
Coils manufacturing	130,340	97,191	10,215	10,269
Ferrite powder manufacturing	7,203	–	613	–
Capacitors manufacturing	2,856	2,659	376	(888)
Electronic components trading	2,146	8,600	49	386
Information technology services	549	1,843	(321)	(391)
Others	77	–	73	–
	143,171	110,293	11,005	9,376

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Three months ended 31st July	
	2004 HK\$'000	2003 HK\$'000
Crediting		
Gain on disposal of investment properties	50	–
Unrealised gain on investment	–	149
Charging		
Depreciation of fixed assets	15,874	12,087
Cost of inventories sold	110,926	80,339
Staff costs (including directors' emoluments)	30,627	26,470

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

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: 17.5%) on the estimated assessable profit for the period. 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 condensed consolidated income statement represents:

	Three months ended 31st July	
	2004 HK\$'000	2003 HK\$'000
Hong Kong profits tax		
– current tax	1,228	–
– over-provision in prior periods	–	(18)
Overseas taxation		
– current tax	1,083	62
Deferred taxation	(709)	245
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	1,602	289

5. Dividend

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

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st July 2004 is based on the profit attributable to shareholders of approximately HK\$5,816,000 (2003: HK\$4,595,000) and the weighted average number of 693,028,811 (2003: 693,028,811) shares in issue during the period.

No information in respect of diluted earnings per share is presented as the exercise of the outstanding options and warrants during the three months ended 31st July 2003 and 31st July 2004 respectively would have no dilutive effect.

7. Fixed assets

During the three months ended 31st July 2004, the additions to fixed assets were approximately HK\$16,864,000 (2003: HK\$8,107,000); the total net book value of disposals and write-offs of fixed assets were approximately HK\$483,000 (2003: HK\$32,000).

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

8. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Current	84,389	78,954
Overdue by 0 – 1 month	7,296	7,048
Overdue by 1 – 2 months	7,865	2,648
Overdue by 2 – 3 months	5,623	2,961
Overdue by more than 3 months	3,978	3,686
	<u>109,151</u>	<u>95,297</u>
Less: Provision for bad and doubtful debts	(3,490)	(3,039)
	<u>105,661</u>	<u>92,258</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.

9. Bank loans

(a) Short-term bank borrowings

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Long-term bank loan, current portion	83,670	74,936
Others	148,105	123,423
	<u>231,775</u>	<u>198,359</u>

(b) Long-term bank loans

During the period, the Group obtained a long-term bank loan in the amount of HK\$20,000,000 and the long-term bank loans amounting to approximately HK\$19,499,000 were repaid.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

10. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Current	35,320	41,701
Overdue by 0 – 1 month	6,389	7,322
Overdue by 1 – 2 months	1,870	3,811
Overdue by 2 – 3 months	941	1,311
Overdue by more than 3 months	5,096	5,143
	49,616	59,288

11. Share capital

	Number of shares	Nominal value HK\$'000
Shares of HK\$0.10 each		
Authorised:		
As at 30th April 2004 and 31st July 2004	1,000,000,000	100,000
Issued and fully paid:		
As at 30th April 2004 and 31st July 2004	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.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

12. Share options (Continued)

Movements in options granted under the Old Scheme during the three months ended 31st July 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 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
				2,645,396	-	(1,322,698)	1,322,698
<i>Ms. Tang Fung Kwan</i>							
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
				2,645,396	-	(1,322,698)	1,322,698
<i>Mr. Law Hoo Shan</i>							
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
				1,260,000	-	-	1,260,000
(ii) Employees							
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
				2,645,396	-	(1,322,698)	1,322,698
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	9,112,500	-	(742,500)	8,370,000
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	9,112,500	-	(742,500)	8,370,000
				18,225,000	-	(1,485,000)	16,740,000
				27,421,188	-	(5,453,094)	21,968,094

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

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

13. 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 2003	36,118	13,934	17,214	17,447	137	1,305	141,793	227,948
Transfer from subscription right reserve to retained profits	-	-	(17,214)	-	-	-	17,214	-
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	953	-	(953)	-
Profit attributable to shareholders	-	-	-	-	-	-	15,857	15,857
Translation adjustments	-	-	-	-	-	654	-	654
As at 30th April 2004	36,118	13,934	-	17,447	1,090	1,959	173,911	244,459
2003/2004 final dividend	-	-	-	-	-	-	(3,465)	(3,465)
Transfer from retained profits to Mainland China statutory reserve	-	-	-	-	183	-	(183)	-
Profit attributable to shareholders	-	-	-	-	-	-	5,816	5,816
Translation adjustments	-	-	-	-	-	(609)	-	(609)
As at 31st July 2004	36,118	13,934	-	17,447	1,273	1,350	176,079	246,201

14. Contingent liabilities

Contingent liabilities not provided for in the accounts are:

	As at 31st July 2004 HK\$'000	As at 30th April 2004 HK\$'000
Discounted bills with recourse	368	2,484
Factoring of trade receivables with recourse	33,972	35,568
	34,340	38,052