

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Principal accounting policies

The quarterly condensed consolidated accounts for the three months and nine months ended 31st January 2005 comply with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public 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		Nine months ended	
	31st January		31st January	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	120,558	96,988	390,418	303,859
Ferrite powder manufacturing	10,508	3,374	26,408	3,374
Capacitors manufacturing	2,593	4,034	6,812	10,881
Electronic components trading	197	5,948	2,769	25,290
Information technology services	144	1,051	794	3,541
Others	135	–	322	–
	134,135	111,395	427,523	346,945

	Operating profit/(loss)			
	Three months ended		Nine months ended	
	31st January		31st January	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Coils manufacturing	8,557	9,547	30,010	31,893
Ferrite powder manufacturing	1,494	(778)	2,542	(778)
Capacitors manufacturing	141	(814)	666	(2,914)
Electronic components trading	(353)	(117)	(249)	464
Information technology services	105	(1,025)	(406)	(2,770)
Others	86	–	227	–
	10,030	6,813	32,790	25,895

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3. Operating profit

Operating profit is stated after (crediting)/charging the following:

	Three months ended 31st January		Nine months ended 31st January	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Crediting				
Gain on disposal of investment properties	–	–	50	–
Unrealised gain on investment	–	126	–	378
Charging				
Depreciation of property, plant and equipment	16,151	15,136	48,260	44,640
Unrealised loss on investment	–	–	939	–
Cost of inventories sold	103,395	81,709	330,905	257,405
Staff costs (including directors' emoluments)	30,111	27,969	92,144	81,405

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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% (2004: 17.5%) on the estimated assessable profit for the period. 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		Nine months ended	
	31st January		31st January	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– current tax	959	256	3,717	956
– over-provision in prior periods	–	–	–	(19)
Overseas tax				
– current tax	331	725	1,476	820
– over-provision in prior periods	–	(384)	–	(384)
Deferred taxation	184	–	(1,198)	822
	1,474	597	3,995	2,195
Share of taxation attributable to an associate	–	24	–	24
	1,474	621	3,995	2,219

5. Dividend

The Directors resolved not to declare any dividend in respect of the nine months ended 31st January 2005 (2004: Nil).

6. Earnings per share

The calculation of basic earnings per share for the three months ended 31st January 2005 is based on the profit attributable to shareholders of approximately HK\$5,333,000 (2004: HK\$1,663,000) and the weighted average number of 693,028,811 (2004: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2005 is based on the profit attributable to shareholders of approximately HK\$18,299,000 (2004: HK\$10,206,000) and the weighted average number of 693,028,811 (2004: 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 during the three months and nine months ended 31st January 2005 and the three months ended 31st January 2004 would have no dilutive effect.

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

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7. Fixed assets

During the nine months ended 31st January 2005, the additions to fixed assets were approximately HK\$30,925,000 (2004: HK\$53,839,000); the total net book value of disposals and written off of fixed assets was approximately HK\$1,528,000 (2004: HK\$131,000).

8. Trade receivables

The aging analysis of trade receivables is as follows:

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Current	88,970	78,954
Overdue by 0 – 1 month	10,111	7,048
Overdue by 1 – 2 months	5,518	2,648
Overdue by 2 – 3 months	2,350	2,961
Overdue by more than 3 months	3,538	3,686
	110,487	95,297
Less: Provision for bad and doubtful debts	(3,907)	(3,039)
	106,580	92,258

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 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.

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9. Bank loans

(a) Short-term bank borrowings

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Long-term bank loans, current portion	87,129	74,936
Others	124,986	123,423
	212,115	198,359

(b) Long-term bank loans

During the period, the Group obtained a long-term bank loan in the amount of HK\$35,000,000 and the long-term bank loans amounting to approximately HK\$62,537,000 were repaid.

10. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Current	33,165	41,701
Overdue by 0 – 1 month	3,412	7,322
Overdue by 1 – 2 months	609	3,811
Overdue by 2 – 3 months	412	1,311
Overdue by more than 3 months	836	5,143
	38,434	59,288

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11. Share capital

	Number of shares	Nominal value HK\$'000
.....		
Shares of HK\$0.10 each		
Authorised:		
As at 30th April 2004 and 31st January 2005	1,000,000,000	100,000
Issued and fully paid:		
As at 30th April 2004 and 31st January 2005	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.

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12. Share options (continued)

Movements in options granted under the Old Scheme during the nine months ended 31st January 2005 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	-	(2,645,396)	-
<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	-	(2,645,396)	-
<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	-	(630,000)	630,000
(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	-	(2,645,396)	-
1st November 2000	1st November 2000 to 31st October 2003	1st November 2003 to 31st July 2004	HK\$0.75	9,112,500	-	(9,112,500)	-
1st November 2000	1st November 2000 to 31st July 2004	1st August 2004 to 28th February 2005	HK\$0.75	9,112,500	-	(1,237,500)	7,875,000
				18,225,000	-	(10,350,000)	7,875,000
				27,421,188	-	(18,916,188)	8,505,000

During the nine months ended 31st January 2005, no option was granted under the New Scheme (2004: Nil).

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13. Reserves

Movements in reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Subscription rights 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 rights 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	-	-	-	-	2,799	-	(2,799)	-
Profit attributable to shareholders	-	-	-	-	-	-	18,299	18,299
Translation adjustments	-	-	-	-	-	(936)	-	(936)
As at 31st January 2005	36,118	13,934	-	17,447	3,889	1,023	185,946	258,357

14. Commitments and contingent liabilities

(a) Capital commitments

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Contracted but not provided for		
– purchase of land in Zhongshan, Mainland China	1,463	2,954
– purchase of other fixed assets	1,124	42
	2,587	2,996

(b) Contingent liabilities

	As at 31st January 2005 HK\$'000	As at 30th April 2004 HK\$'000
Discounted bills with recourse	–	2,484
Factoring of trade receivables with recourse	26,006	35,568
	26,006	38,052