

NOTES TO THE INTERIM ACCOUNTS

I. Basis of presentation and accounting policies

(a) *Basis of preparation*

These unaudited interim accounts ("interim accounts") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These interim accounts should be read in conjunction with the annual financial statements for the year ended 31st March 2005.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual financial statements for the year ended 31st March 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

These interim accounts have been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparation. The HKFRS standards and interpretations that will be applicable at 31st March 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim accounts.

I. Basis of presentation and accounting policies (Continued)*(b) Changes in accounting policies*

With effect from 1st April 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int15	Operating Leases – Incentives

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 33, 36 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies and had no material effect on the accounts except for certain changes in presentation and disclosures as required by HKASs 1 and 24.

I. Basis of presentation and accounting policies (Continued)*(b) Changes in accounting policies (Continued)*

The adoption of HKASs 17, 32, 39 and 40 has resulted in changes to the Group's accounting policies which were set out in note I to the annual financial statements for the year ended 31st March 2005. The changes to the Group's principal accounting policies and the effect of adopting these new policies are set out below.

- (i) The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.
- (ii) The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to other investment. Other investment, which represents a golf club debenture, has been re-designated as available-for-sale financial asset. This is carried at fair value in the balance sheet. Any change in fair value will be recognized in equity. It has also resulted in the recognition of derivative financial instruments at fair value.
- (iii) Following the adoption of HKAS 40, a property leased to a third party has been reclassified from property, plant and equipment to investment property.

As permitted under HKAS 40, the Group adopts the cost model for accounting for investment property. The leasehold land of investment property is accounted for as prepaid operating lease and is expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. The building is classified as investment property and stated at cost less accumulated depreciation and impairment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require or permit retrospective application other than HKASs 32 and 39 which do not permit retrospective application.

I. Basis of presentation and accounting policies (Continued)

(c) Summary of effect of changes in accounting policies

	Effect of adopting new HKFRSs				Total HK\$
	HKAS 17 HK\$	HKAS 21 HK\$	HKAS 32 HK\$	HKAS 40 HK\$	
As at 30th September 2005:					
Increase/(decrease) in:					
ASSETS					
Property, plant and equipment	(16,970,461)	-	-	(359,963)	(17,330,424)
Leasehold land and land use rights	16,970,461	-	-	-	16,970,461
Investment property	-	-	-	359,963	359,963
Other investment	-	-	(350,000)	-	(350,000)
Available-for-sale financial asset	-	-	350,000	-	350,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EQUITY					
Retained earnings	-	(1,634,288)	-	-	(1,634,288)
Exchange reserve	-	1,634,288	-	-	1,634,288
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	HK\$	HK\$	HK\$	HK\$	HK\$
As at 31st March 2005:					
ASSETS					
Property, plant and equipment	(17,310,543)	-	-	(364,763)	(17,675,306)
Leasehold land and land use rights	17,310,543	-	-	-	17,310,543
Investment property	-	-	-	364,763	364,763
Other investment	-	-	(350,000)	-	(350,000)
Available-for-sale financial asset	-	-	350,000	-	350,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EQUITY					
Retained earnings	-	(88,656)	-	-	(88,656)
Exchange reserve	-	88,656	-	-	88,656
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

2. Turnover and segment information

The Group is principally engaged in the manufacturing and selling of customer electronic products and printed circuit boards.

An analysis of the Group's turnover and results for the period by business segments and geographical segments is as follows:

(a) *Primary reporting format – business segments:*

	Six months ended		
	30th September 2005		
	Electronic products HK\$	Printed circuit boards HK\$	Group HK\$
Turnover	<u>54,605,720</u>	<u>293,286,943</u>	<u>347,892,663</u>
Segment results	<u>1,917,509</u>	<u>14,991,232</u>	16,908,741
Unallocated costs			<u>(2,945,415)</u>
Operating profit			13,963,326
Finance costs			<u>(4,100,465)</u>
Profit before taxation			9,862,861
Taxation			<u>(1,902,198)</u>
Profit attributable to shareholders			<u>7,960,663</u>
Depreciation	2,577,349	15,994,249	18,571,598
Amortization of leasehold land and land use rights	<u>340,082</u>	<u>–</u>	<u>340,082</u>

2. Turnover and segment information (Continued)

(a) Primary reporting format – business segments: (Continued)

	Six months ended 30th September 2004		
	Electronic products HK\$	Printed circuit boards HK\$	Group HK\$
Turnover	<u>52,798,390</u>	<u>282,296,178</u>	<u>335,094,568</u>
Segment results	<u>4,457,386</u>	<u>36,800,024</u>	41,257,410
Unallocated costs			<u>(6,579,844)</u>
Operating profit			34,677,566
Finance costs			<u>(2,597,049)</u>
Profit before taxation			32,080,517
Taxation			<u>(5,782,875)</u>
Profit attributable to shareholders			<u>26,297,642</u>
Depreciation	2,757,719	12,244,542	15,002,261
Amortization of leasehold land and land use rights	<u>344,083</u>	<u>–</u>	<u>344,083</u>

(b) Secondary reporting format – geographical segments:

	Turnover Six months ended 30th September		Segment results Six months ended 30th September	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Principal markets:				
Hong Kong and Mainland China	109,895,401	90,924,432	5,341,282	11,194,770
America	66,043,360	69,273,641	3,209,927	8,529,088
South East Asia	105,984,536	51,731,909	5,151,201	6,369,320
Europe	65,969,366	123,164,586	3,206,331	15,164,232
	<u>347,892,663</u>	<u>335,094,568</u>	<u>16,908,741</u>	<u>41,257,410</u>

3. Capital expenditure

	Leasehold land and land use rights HK\$	Investment property HK\$	Property, plant and equipment HK\$	Total HK\$
Net book amount at				
1st April 2005	17,310,543	364,763	268,324,816	286,000,122
Exchange difference	-	-	1,608,750	1,608,750
Additions	-	-	49,027,301	49,027,301
Amortization/ depreciation	(340,082)	(4,800)	(18,566,798)	(18,911,680)
Net book amount at				
30th September 2005	<u>16,970,461</u>	<u>359,963</u>	<u>300,394,069</u>	<u>317,724,493</u>
Net book amount at				
1st April 2004	10,090,319	974,363	188,995,410	200,060,092
Additions	9,808,391	-	111,096,762	120,905,153
Impairment loss	(1,900,000)	(600,000)	-	(2,500,000)
Amortization/depreciation	(688,167)	(9,600)	(31,453,085)	(32,150,852)
Disposals	-	-	(314,271)	(314,271)
Net book amount at				
31st March 2005	<u>17,310,543</u>	<u>364,763</u>	<u>268,324,816</u>	<u>286,000,122</u>

4. Trade receivables

Trade receivables are stated net of provisions for bad and doubtful debts. The ageing analysis of trade receivables is as follows:

	30th September 2005 HK\$	31st March 2005 HK\$
0 – 4 months	162,004,952	103,654,934
5 – 8 months	7,693,514	8,570,236
over 8 months	711,319	4,049,758
	<u>170,409,785</u>	<u>116,274,928</u>

Sales are made to customers with credit terms of 30-120 days.

5. Trade payables

The ageing analysis of trade payables is as follows:

	30th September 2005 HK\$	31st March 2005 HK\$
0 – 4 months	151,131,154	74,100,942
5 – 8 months	1,229,265	7,463,802
over 8 months	–	67,032
	<u>152,360,419</u>	<u>81,631,776</u>

6. Long term liabilities

	30th September 2005 HK\$	31st March 2005 HK\$
Bank loan secured	9,424,721	10,180,335
unsecured	9,856,500	13,108,928
	19,281,221	23,289,263
Obligations under finance leases wholly repayable within five years	64,603,573	62,329,402
	83,884,794	85,618,665
Current portion of long-term liabilities	(37,042,930)	(34,350,366)
	<u>46,841,864</u>	<u>51,268,299</u>

At 30th September 2005, the Group's bank loans were repayable as follows:

	30th September 2005 HK\$	31st March 2005 HK\$
Within one year	7,151,446	7,639,863
In the second year	5,814,448	7,248,720
In the third to fifth years	4,148,894	5,751,557
After the fifth year	2,166,433	2,649,123
	<u>19,281,221</u>	<u>23,289,263</u>

6. Long term liabilities (Continued)

At 30th September 2005, the Group's finance lease liabilities were repayable as follows:

	30th September 2005 HK\$	31st March 2005 HK\$
Within one year	33,196,205	29,250,018
In the second year	24,232,934	22,659,254
In the third to fifth years	12,394,267	14,661,946
	69,823,406	66,571,218
Future finance charge	(5,219,833)	(4,241,816)
	<u>64,603,573</u>	<u>62,329,402</u>

The present value of finance lease liabilities were repayable as follows:

	30th September 2005 HK\$	31st March 2005 HK\$
Within one year	29,891,484	26,710,503
In the second year	22,666,546	21,371,472
In the third to fifth years	12,045,543	14,247,427
	64,603,573	62,329,402

7. Share capital**Ordinary shares
of HK\$0.10 each**

	<i>No. of shares</i>	<i>HK\$</i>
Authorised:		
At 1st April 2004, 31st March 2005 and 30th September 2005	<u>700,000,000</u>	<u>70,000,000</u>
Issued and fully paid:		
At 1st April 2004, 31st March 2005 and 30th September 2005	<u>47,438,520</u>	<u>4,743,852</u>

8. Operating profit

	Six months ended 30th September	
	2005 HK\$	2004 HK\$
Operating profit is stated after crediting and charging the following:		
Crediting		
Gain on disposal of fixed assets	25,000	–
Charging		
Amortization of leasehold land and land use rights	340,082	344,083
Depreciation		
Owned fixed assets	14,307,084	12,946,976
Fixed assets held under finance leases	4,264,514	2,055,285
Cost of inventories	279,585,523	239,354,681
Loss on disposal of fixed assets	–	78,422
Provision for bad debt	–	6,128,730
Provision for impairment loss on leasehold land and building	–	2,500,000
	–	–

9. Staff costs (excluding directors' emoluments)

	Six months ended 30th September	
	2005 HK\$	2004 HK\$
Wages, salaries and other allowances	28,320,482	22,689,004
Pension costs - defined contribution plans	1,109,286	886,668
	29,429,768	23,575,672

10. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the period.

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

	Six months ended 30th September	
	2005	2004
	HK\$	HK\$
Current taxation		
Underprovision in prior years	-	22,321
Deferred taxation relating to the origination and reversal of temporary differences	1,902,198	5,760,554
	<u>1,902,198</u>	<u>5,782,875</u>

11. Dividend

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30th September 2005 (2004: Nil).

12. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$7,960,663 (2004: HK\$26,297,642) and 47,438,520 ordinary shares in issue during the period.

Diluted earnings per share is not shown as there are no potential ordinary shares for the period ended 30th September 2005 and 30th September 2004.

13. Commitments

(a) Capital commitments for plant and machinery and leasehold improvements

	30th September 2005 HK\$	31st March 2005 HK\$
Contracted but not provided for	<u>5,807,307</u>	<u>3,119,927</u>

(b) Capital commitments in relation to capital injection to subsidiaries

	30th September 2005 HK\$	31st March 2005 HK\$
Contracted but not provided for	<u>2,144,467</u>	<u>26,802,276</u>

(c) Capital commitments in relation to a new factory at Jiangxi

	30th September 2005 HK\$	31st March 2005 HK\$
Authorised but not provided for	468,461,538	–
Contracted but not provided for	<u>11,538,462</u>	<u>–</u>

14. Related-party transactions

	Six months ended 30th September 2005 HK\$	2004 HK\$
Key management compensation Salaries	<u>4,011,000</u>	<u>3,300,057</u>

On behalf of the Board
Yip Sum Yin
Chairman

Hong Kong, 23rd December 2005