NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. **Basis of preparation and accounting policies**

The unaudited condensed consolidated third quarterly accounts for the nine months ended 31st January 2006 (the "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. The Accounts should be read in conjunction with the annual accounts for the year ended 30th April 2005.

The accounting policies and methods of computation used in the preparation of the Accounts are consistent with those used in the annual accounts for the year ended 30th April 2005 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKASs which are effective for accounting periods commencing on or after 1st January 2005. The major changes to the Group's accounting policies and the effect of adopting these new accounting policies are set out in note 2 below.

2. **Impact of new/revised HKFRSs and HKASs**

The major and significant effects of the adoption of the new/revised HKFRSs and HKASs on the Group's accounting policies and amounts disclosed in the Accounts are summarised as follows:

(A) HKAS 17 "Leases"

In prior years, leasehold land and buildings held for own use were stated at revaluation less accumulated depreciation and accumulated impairment losses. Movements of revaluation surpluses or deficits were normally taken to the property revaluation reserve.

With the adoption of HKAS 17 as from 1st May 2005, where the land and building elements of the leasehold properties held for own use can be allocated reliably at the inception of the lease, the land element is accounted for as operating lease.

Such leasehold land will no longer be revalued. Instead, any pre-paid land premiums for acquiring the land leases, or other lease payments, are amortised on a straight line basis over the lease term.

Any buildings held for own use which are situated on such land leases continue to be presented as part of property, plant and equipment. However, as from 1st May 2005 the buildings are also stated at cost less accumulated depreciation, rather than at fair value, to be consistent with the new policy required to be adopted for the land element.

This new accounting policy has been adopted retrospectively and reflected by way of prior year adjustment and restatement of comparative figures.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

2. Impact of new/revised HKFRSs and HKASs *(continued)*

(A) HKAS 17 "Leases" *(continued)*

Net increases/(decreases) in the following items on restatement of balance sheets

	As at 30th April 2005 HK$'000	As at 31st January 2005 HK$'000
Assets:		
Leasehold land and land use rights	**13,471**	13,550
Property, plant and equipment	**(41,075)**	(33,206)
Liabilities and reserves:		
Property revaluation reserve	**(22,727)**	(17,447)
Deferred tax	**(6,404)**	(3,619)
Retained profits	**1,527**	1,410

Net increases/(decreases) in the following items on restatement of income statement

	Nine months ended 31st January	
	2006 HK$'000	2005 HK$'000
Depreciation	**(591)**	(591)
Rental expenses	**237**	237

(B) HKAS 32 "Financial Instruments: Disclosure and Presentation"
HKAS 39 "Financial Instruments: Recognition and Measurement"

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

(i) The Group adopted the transitional provisions of HKAS 32 and HKAS 39 and all "investment securities" and "other investments" were redesignated as "available-for-sale financial assets" as at 1st May 2005. Available-for-sale financial assets are measured at fair value and changes in fair value are recognised in the investment revaluation reserve. This has resulted in a decrease in available-for-sale financial assets and a corresponding decrease in investment revaluation reserve of approximately HK$2,055,000 as at 31st January 2006 (1st May 2005: HK$1,017,000).

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

2. Impact of new/revised HKFRSs and HKASs *(continued)*

(B) HKAS 32 "Financial Instruments: Disclosure and Presentation"
HKAS 39 "Financial Instruments: Recognition and Measurement" *(continued)*

(ii) HKAS 39 requires that where an entity sells trade receivables with recourse, these trade receivables should be accounted for as a collateralised borrowing, since it does not qualify for derecognition. In the past, the Group followed the principles under the replaced accounting standard SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets" and disclosed such type of transaction as contingent liabilities.

The Group has adopted HKAS 32 and HKAS 39 prospectively. For trade receivables sold with recourse, the change in the accounting policy has resulted in an increase in trade receivables and a corresponding increase in borrowings of approximately HK$21,896,000 as at 1st May 2005. As at 31st January 2006, the Group had no trade receivables sold with recourse.

(iii) On 1st May 2005, the Group measured its financial assets and liabilities in accordance with the relevant transitional provisions of HKAS 39.

(C) HKAS 40 "Investment Property"
HKAS 12 "Income Taxes" – HKAS Interpretation 21 ("HKAS-Int 21")
– Recovery of revalued non-depreciable assets

In prior years, investment properties were carried at valuation assessed by professionally qualified valuers on an open market value basis. Increases in valuations were credited to the investment property revaluation reserve. Decreases in valuations were first set off against the investment property revaluation reserve on a portfolio basis and thereafter were charged to the income statement. No deferred taxation was provided on revaluation surplus of investment properties.

On adoption of HKAS 40, investment properties are carried at fair value with the changes in fair value reported directly in the income statement. Deferred tax is provided on revaluation surplus of investment properties in accordance with HKAS-Int 21 on HKAS 12.

The Group has adopted HKAS 40 prospectively. The effects of change in accounting policy are as follows:

Net increases/(decreases) in the following items on balance sheet

	As at 1st May 2005 HK$'000
Liabilities and reserves:	
Investment property revaluation reserve	(520)
Deferred tax	91
Retained profits	429

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

3. Segment information

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, development, manufacture and sale of a wide range of coils, capacitors, ferrite powder and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products.

With reference to 2004/2005 annual report, the directors of the Company re-classified certain segmental information. Coils manufacturing, capacitors manufacturing and ferrite powder manufacturing were combined and classified as "Electronic components manufacturing". Besides, information technology services, electronic components trading and others, being the non-core business, were combined and classified as "Others". Certain comparative figures of segmental information for the three months ended and nine months ended 31st January 2005 have been re-classified to conform to the current period's presentation.

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

	Turnover			
	Three months ended 31st January		Nine months ended 31st January	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Electronic components manufacturing	**151,379**	133,659	**451,911**	423,638
Others	**297**	476	**1,037**	3,885
	151,676	134,135	**452,948**	427,523

	Profit/(loss) before taxation			
	Three months ended 31st January		Nine months ended 31st January	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Electronic components manufacturing	**6,481**	7,087	**24,540**	23,104
Others	**210**	(162)	**797**	(456)
	6,691	6,925	**25,337**	22,648

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

4. Finance costs

	Three months ended 31st January		Nine months ended 31st January	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Interest expenses	**4,250**	3,283	**13,085**	10,618
Arrangement fee on long-term bank loan	**431**	331	**1,231**	993
	4,681	3,614	**14,316**	11,611

5. Profit before taxation

Profit before taxation is stated after crediting and charging the following:

	Three months ended 31st January		Nine months ended 31st January	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Crediting				
Gain on disposal of investment properties	**–**	–	**–**	50
Income from available-for-sale financial assets	**–**	–	**1,339**	–
Interest income	**278**	60	**565**	122
Charging				
Depreciation of property, plant and equipment	**16,722**	15,954	**49,980**	47,669
Unrealised loss on other investment	**–**	–	**–**	939
Cost of inventories sold	**118,599**	103,277	**352,242**	330,551
Staff costs (including directors' emoluments)	**37,446**	30,111	**103,876**	92,144

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

6. **Taxation**

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 31st January		Nine months ended 31st January	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong profits tax – current tax	**2,288**	959	**6,916**	3,717
Overseas taxation – current tax	**1,390**	331	**3,349**	1,476
Deferred taxation	**(1,578)**	184	**(3,325)**	(1,198)
	2,100	1,474	**6,940**	3,995

7. **Dividend**

The Board resolved not to declare any dividend in respect of the nine months ended 31st January 2006 (2005: Nil).

8. **Earnings per share**

The calculation of basic earnings per share for the three months ended 31st January 2006 is based on the profit attributable to equity holders of the Company of approximately HK$4,591,000 (2005: HK$5,451,000) and the weighted average number of 716,610,798 (2005: 693,028,811) shares in issue during the period.

The calculation of basic earnings per share for the nine months ended 31st January 2006 is based on the profit attributable to equity holders of the Company of approximately HK$18,397,000 (2005: HK$18,653,000) and the weighted average number of 701,573,009 (2005: 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 (if any) during the three months and nine months ended 31st January 2005 and 31st January 2006 respectively would have no dilutive effect.

9. **Movements in property, plant and equipment and investment properties**

During the nine months ended 31st January 2006, the additions to property, plant and equipment and investment properties were approximately HK$48,780,000 (2005: HK$30,475,000); the total net book value of disposals and write-offs of property, plant and equipment and investment properties were approximately HK$1,070,000 (2005: HK$1,528,000).

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

10. Trade receivables

The aging analysis of trade receivables, net of impairment losses, is as follows:

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000 (Restated)
Current	**115,126**	86,812
Overdue by 0 – 1 month	**20,631**	7,075
Overdue by 1 – 2 months	**11,586**	1,635
Overdue by 2 – 3 months	**4,133**	2,110
	151,476	97,632

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Allowance for impairment losses are provided 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 customers who have good payment records and well-established relationships with the Group.

11. Share capital

	Number of shares	**Nominal value** HK$'000
Shares of HK$0.10 each		
Authorised:		
As at 30th April 2005 and 31st January 2006	1,000,000,000	100,000
Issued and fully paid:		
As at 30th April 2005	693,028,811	69,303
Issue of shares pursuant to the scrip dividend scheme *(Note)*	23,581,987	2,358
As at 31st January 2006	716,610,798	71,661

Note:

On 24th October 2005, 23,581,987 new shares were allotted and issued at HK$0.143 per new share, credited as fully paid, to certain shareholders of the Company whose names appeared on the Company's register of members on 23rd September 2005 and who elected to receive new fully paid shares in lieu of cash in respect of part or all of the final dividend of HK0.7 cent per share for the year ended 30th April 2005 pursuant to the scrip dividend scheme.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

12. Share options

On 26th September 2002, a new share option scheme (the "Scheme") was adopted by the Company. The purpose of the 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.

During the nine months ended 31st January 2006, no option was granted under the Scheme (2005: Nil).

13. Bank loans

(a) *Long-term bank loans*

During the period, the Group obtained long-term bank loans in the amount of HK$209,421,000 and the long-term bank loans amounting to approximately HK$129,991,000 were repaid.

(b) *Short-term bank borrowings*

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000
Bank overdrafts	**–**	15,438
Short-term bank loans	**81,242**	78,628
Trust receipts bank loans	**183**	28,388
Long-term bank loans, current portion	**87,974**	89,337
	169,399	211,791

14. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000
Current	**60,774**	42,241
Overdue by 0 – 1 month	**3,480**	2,393
Overdue by 1 – 2 months	**2,293**	478
Overdue by 2 – 3 months	**706**	177
Overdue by more than 3 months	**605**	1,112
	67,858	46,401

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

15. Commitments and contingent liabilities

(a) Capital commitments

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000
Contracted but not provided for		
– construction of a production plant in Zhongshan, Mainland China	**1,066**	11,672
– purchase of properties in Hong Kong	**475**	1,377
– purchase and construction of other property, plant and equipment	**6,774**	29
– the balance of land premium in Zhongshan, Mainland China	**–**	1,464
	8,315	14,542

(b) Contingent liabilities

	As at 31st January 2006 HK$'000	As at 30th April 2005 HK$'000
Factoring of trade receivables with recourse	**–**	21,896