

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" and other relevant HKASs, Interpretations and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in these condensed consolidated interim financial statements are consistent with those adopted in the Company's 2005 Annual Report except as described below.

2. Accounting policies

In the current period, the Group has adopted, for the first time, the new or revised Hong Kong Financial Reporting Standards ("new HKFRSs"), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by HKICPA, that are effective for accounting periods beginning on 1 January 2006 and which are relevant to its operations. The adoption of the new HKFRSs has no significant impact on these condensed consolidated interim financial statements.

The following new/revised standards and interpretations have been issued but not yet effective for the current accounting period. The Group has already commenced an assessment of the impact of these new/revised standards and interpretations but is still not in a position to state whether these new/revised standards and interpretations would have a significant impact on its results of operations and financial position.

	Effective for accounting period beginning on or after
HKAS 1 Amendment, Capital disclosures	1 January 2007
HKFRS 7 Financial instruments: disclosures	1 January 2007
HK(IFRIC)-Int 7, Applying the restatement approach under HKAS 29, financial reporting in hyperinflationary economies	1 March 2006
HK(IFRIC)-Int 8, Scope of HKFRS 2	1 May 2006
HK(IFRIC)-Int 9, Reassessment of embedded derivatives	1 June 2006

3. 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. No business segment analysis is presented as there is only one business segment.

The following is an analysis of the Group's turnover by geographical locations where merchandise is delivered:

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
United States of America (the "US")	113,364	75,872
Europe	17,451	18,649
Hong Kong	3,181	2,790
Southeast Asia (excluding Hong Kong)	2,923	1,099
	<u>136,919</u>	<u>98,410</u>

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.

4. Profit before taxation

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

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Crediting:		
Reversal of write-down of inventories	1,747	10
Charging:		
Cost of inventories sold (excluding reversal of write-down of inventories)	72,566	48,864
Depreciation and amortization	2,202	2,090
	<u></u>	<u></u>

5. Taxation

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

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Hong Kong profits tax	3,461	2,435
Overseas taxation	2,346	580
	5,807	3,015

Hong Kong profits tax was calculated at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits 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	
	2006 HK\$'000	2005 HK\$'000
Profit before taxation	44,250	31,981
Effect of tax at Hong Kong profits tax rate of 17.5% (2005: 17.5%)	7,744	5,597
Income that are not taxable	(3,740)	(3,139)
Tax losses not recognised	412	167
Others	1,391	390
	5,807	3,015

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2006 was based on the profit attributable to shareholders of approximately HK\$38,443,000 (six months ended 30 June 2005: HK\$28,966,000) and on the weighted average number of 320,000,000 (2005: 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 (2005: Nil).

7. Property , plant and equipment

The total cost of additions to property, plant and equipment of the Group during the six months ended 30 June 2006 was HK\$1,219,000 (2005: HK\$2,595,000). There were no material disposals and write-offs of fixed assets during the six months ended 30 June 2006 and 30 June 2005.

8. Trade receivables

Customers are usually offered a credit period ranging from 30 days to 90 days. The ageing analysis of trade receivables after provision is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 to 30 days	26,341	22,813
31 to 60 days	13,672	13,728
61 to 90 days	11,411	9,801
Over 90 days	11,013	680
	62,437	47,022

9. Trade payables

The ageing analysis of trade payables is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 to 30 days	10,216	6,108
31 to 60 days	5,919	3,546
61 to 90 days	4,196	1,912
Over 90 days	1,369	349
	21,700	11,915

10. Share capital

	Number of shares	Amount HK\$'000
Authorised ordinary shares of HK\$0.1 each		
At 1 January 2006 and 30 June 2006	1,000,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.1 each		
At 1 January 2006 and 30 June 2006	320,000,000	32,000

11. Related party transactions

During the six months ended 30 June 2006, the Group's sales to Datatronics Romoland, Inc., a company in which Mr. Siu Paul Y., a director, has beneficial interest, amounted to HK\$48,363,000 (2005: HK\$34,000,000). The transactions constituted a continuing connected transaction under Chapter 14A of the Listing Rules and were carried out in the ordinary course of business and on normal commercial terms.