

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The accounting policies and methods of computation used in the preparation of this interim report are the same as those adopted in preparing the annual audited financial statements for the year ended 31 March 2006, except that the Group has changed certain of its accounting policies following its adoption of the following new/revised Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (hereinafter collectively referred to as the “new HKFRSs”) which are effective for accounting periods beginning on or after 1 April 2006.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The application of these new HKFRSs did not have any material impact on how the financial statements of the Group are prepared and presented for the current or prior accounting period. Accordingly, no prior period adjustments are required.

2. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but not yet effective, in this interim report.

HKAS 1 Amendment	Capital disclosure ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – Int 8	Scope of HKFRS 2 ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 May 2006

³ Effective for annual periods beginning on or after 1 June 2006

⁴ Effective for annual periods beginning on or after 1 November 2006

The Group anticipates that the applications of these new or revised standard, amendment and interpretations would not have significant impact on the result and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

The principal activities of the Group are the manufacture and trading of printed circuit boards. There was no change in the nature of the Group's principal activities during the current period.

Revenue represents the net invoiced value of goods sold, after allowances for goods returns and trade discounts.

(a) Business segment

The Group has only one business segment, which is the manufacture and trading of printed circuit boards. Therefore, no business segment analysis is presented.

(b) Geographical segments

In presenting information by geographical segment, segment revenue is based on the location of the customers.

	(Unaudited)	
	6 months ended 30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)
Segment revenue:		
Sales to external customers		
Mainland China	196,008	120,360
Europe	169,407	75,495
Hong Kong	31,940	22,529
Japan	26,705	18,312
Others	34,884	14,811
	458,944	251,507

4. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting and (charging):

	(Unaudited)	
	6 months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on:		
Bank loans and other loans wholly repayable within five years	(645)	(618)
Finance leases and hire purchase contracts	(2,254)	(518)
	<u>(2,899)</u>	<u>(1,136)</u>
(b) Other items:		
Depreciation	(34,058)	(18,153)
Amortization of land lease payments	(59)	(58)
Staff costs (including directors' remuneration)	(21,077)	(14,880)
Bank interest income	724	51
	<u>724</u>	<u>51</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the current period. No provision for Hong Kong profits tax has been made for the prior period as the Company and its subsidiaries either had no assessable profits for that period or had utilised tax losses brought forward from prior years to offset the assessable profits arising during that period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Deferred tax has been provided on temporary differences using the current applicable rate.

	(Unaudited)	
	6 months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	6,450	–
Current – Elsewhere		
Charge for the period	8,575	3,014
Deferred	1,770	480
	<u>16,795</u>	<u>3,494</u>
Total tax charge for the period	<u>16,795</u>	<u>3,494</u>

6. INTERIM DIVIDEND

	(Unaudited)	
	6 months ended 30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed interim dividend of HK4.0 cents (2006: nil) per share	<u>19,225</u>	<u>–</u>

At the Board meeting held on 30 November 2006, the Board has resolved to declare an interim dividend of HK4.0 cents per share for the year ending 31 March 2007. This proposed dividend is not reflected as a dividend payable in the condensed consolidated financial statements for the 6 months ended 30 September 2006, but will be reflected as an appropriation of retained profits for the year ending 31 March 2007.

The amount of the proposed interim dividend is based on 480,613,785 shares in issue at 30 November 2006.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$97,687,000 (2005: HK\$25,775,000) and the weighted average number of 476,103,402 (2005: 466,013,785) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$97,687,000 (2005: HK\$25,775,000) and the weighted average number of 480,616,527 (2005: 467,888,459) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliation

	(Unaudited)	
	6 months ended 30 September	
	2006	2005
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	476,103,402	466,013,785
Deemed issue of ordinary shares for no consideration arising from share options	<u>4,513,125</u>	<u>1,874,674</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>480,616,527</u>	<u>467,888,459</u>

8. PROPERTY, PLANT AND EQUIPMENT

	(Unaudited)	
	6 months ended 30 September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchase of property, plant and equipment	<u>108,327</u>	<u>43,354</u>

9. TRADE DEBTORS

The Group has a policy which allows an average credit period of 60 days to its customers. An aged analysis of the trade debtors as at the period end, based on the payment due date and net of provisions, is as follows:

	(Unaudited)	(Audited)
	30 September	31 March
	2006	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 1 month	157,754	133,721
1 to 2 months	2,006	1,344
2 to 3 months	957	46
Over 3 months	704	640
	<u>161,421</u>	<u>135,751</u>

10. CASH AND BANK BALANCES

	(Unaudited)	(Audited)
	30 September	31 March
	2006	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank and in hand	22,921	51,618
Bank deposits maturing within 3 months when placed	<u>19,494</u>	<u>1,737</u>
Cash and cash equivalents in the condensed consolidated cash flow statement	42,415	53,355
Bank deposits maturing after 3 months but within 1 year when placed	<u>23,400</u>	–
	<u>65,815</u>	<u>53,355</u>

11. TRADE CREDITORS

An aged analysis of the trade creditors as at the period end, based on the payment due date, is as follows:

	(Unaudited) 30 September 2006 HK\$'000	(Audited) 31 March 2006 HK\$'000
Current to 1 month	86,909	74,937
1 to 2 months	3,746	12,150
2 to 3 months	5,949	1,373
Over 3 months	1,751	967
	<u>98,355</u>	<u>89,427</u>

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	(Unaudited) 30 September 2006 HK\$'000	(Audited) 31 March 2006 HK\$'000
Current liabilities		
Trust receipt loans	–	4,501
Bank loans – unsecured	5,548	5,549
Bank loans – secured	183	1,278
Finance lease and hire purchase contract payable	36,910	20,880
	<u>42,641</u>	<u>32,208</u>
Non-current liabilities		
Bank loans – unsecured	5,833	4,722
Finance lease and hire purchase contract payable	48,897	29,495
	<u>54,730</u>	<u>34,217</u>
Total	<u>97,371</u>	<u>66,425</u>

13. MAJOR NON-CASH TRANSACTIONS

During the period, the Group entered into finance lease arrangements in respect of the property, plant and equipment with a total capital value at the inception of the leases of HK\$49,750,000 (2005: HK\$22,683,000).

14. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the period end:

	(Unaudited) 30 September 2006 HK\$'000	(Audited) 31 March 2006 HK\$'000
Capital commitments, Contracted but not provided for, in respect of acquisition of items of property, plant and equipment	4,326	59,641

15. SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of encouraging the eligible participants to perform their best in achieving the goals of the Company and at the same time allows the eligible participants to enjoy the results of the Company attained through their effort and contribution. Eligible participants of the share option scheme include any full-time employees, directors or professional advisers of the Company or any of its subsidiaries or associated companies. The share option scheme became effective on 28 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The share options previously granted by the Company were vested at the date of grant and will be settled by shares.

As at 30 September 2006, 1,650,000 share options which were granted on 15 June 2004 remained unexercised. These share options are exercisable during the period from 15 June 2004 to 14 June 2009 at an exercise price of HK\$0.20 per share. If these outstanding share options are fully exercised, they shall represent approximately 0.34% of the existing issued share capital of the Company.

15. SHARE OPTION SCHEME *(Continued)*

The movement of the share options under the Scheme during the period is as follows:

Name or category of participant	Number of share options				Date of grant of share options	Exercise period of share options	*Exercise price of share options HK\$	Price of Company's shares	
	At 1 April 2006	Granted during the period	Exercised during the period	At 30 Sep 2006				**At date of grant options HK\$	***At date of exercise options HK\$
	Directors:								
Hiroto Sasaki	3,650,000	–	(2,000,000)	1,650,000	15-6-04	15-6-04 to 14-6-09	0.20	0.192	0.83
Au-Yeung Wai Hung	4,600,000	–	(4,600,000)	–	15-6-04	15-6-04 to 14-6-09	0.20	0.192	1.35
	<u>8,250,000</u>	<u>–</u>	<u>(6,600,000)</u>	<u>1,650,000</u>					
Other employees:									
In aggregate	1,300,000	–	(1,300,000)	–	15-6-04	15-6-04 to 14-6-09	0.20	0.192	0.81
	150,000	–	(150,000)	–	14-11-05	14-11-05 to 14-6-09	0.31	0.310	2.23
	–	600,000	(600,000)	–	19-5-06	19-5-06 to 14-6-09	0.85	0.820	2.11
	–	200,000	(200,000)	–	5-6-06	5-6-06 to 14-6-09	0.83	0.830	2.05
	<u>1,450,000</u>	<u>800,000</u>	<u>(2,250,000)</u>	<u>–</u>					
	<u>9,700,000</u>	<u>800,000</u>	<u>(8,850,000)</u>	<u>1,650,000</u>					

Notes:

- * The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- ** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the date of grant of the options.
- *** The price of the Company's shares disclosed at the exercise date of share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line for the respective director and other employees.

The Group has not recognised in the current period's income statement the cost of 800,000 share options granted by the Company during the period since in the opinion of the directors, the values of such share options did not have a significant impact on the Group's results for the current period.

16. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	Notes	(Unaudited)	
		6 months ended 30 September	
		2006	2005
		HK\$'000	HK\$'000
Sale of printed circuit boards to a related party	(i)	26,705	18,265
Technical support fees paid to a related party	(ii)	794	682
		<u>26,705</u>	<u>18,265</u>

Notes:

- (i) Printed circuit boards were sold to a subsidiary of Daisho Denshi Co., Ltd., a substantial shareholder of the Company, and the products sold were unique and tailor-made to the customer's requirements and specifications. The selling prices of the printed circuit boards were determined based on the complexity of the specifications and were agreed between the respective parties.
- (ii) Technical support fees were paid to Daisho Denshi Co., Ltd. for the provision of technical support services for the Group's manufacturing of printed circuit boards. The technical support fees were determined on bases agreed between the respective parties.

(b) Compensation of key management personnel of the Group:

	(Unaudited)	
	6 months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Short term employee benefits	2,728	2,325
Post-employment benefits	119	101
	<u>2,728</u>	<u>2,325</u>
Total compensation paid to key management personnel	<u>2,847</u>	<u>2,426</u>

17. COMPARATIVE FIGURES

The Group has changed its identification of reportable geographical segment revenue for the 6 months ended 30 September 2006. The Group reclassified its six geographical segments in the corresponding period, namely "Mainland China", "Estonia", "Europe (excluding Estonia)", "Hong Kong", "Japan" and "Others" into the current five geographical segments, namely "Mainland China", "Europe", "Hong Kong", "Japan" and "Others". In the opinion of the directors, the revised basis of segment identification provides a more appropriate presentation of the segment revenue information.