15. Comparative amounts

As further explained in note 1 to the unaudited condensed consolidated financial statements, due to the adoption of a revised SSAP during the current Period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been restated to conform with the current Period's presentation.

16. Approval of the interim financial report

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 18 September 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group achieved a record high in interim turnover for the second consecutive year since listing in 1997 in spite of the continual weakness in the global economic market and the outbreak of Severe Acute Respiratory Syndrome ("SARS") in the first half of the year. Turnover for the Period was increased by approximately 6% to HK$253.5 million from HK$240.1 million for the first six months of 2002 mainly contributed by the increase in Taiwanese market as a result of the management's accurate targeting on the computer motherboard and power supply segments. Gross profit for the Period was decreased by approximately 2% to HK$58.0 million from HK$59.2 million for the first six months of 2002 mainly due to higher consumption of raw materials as proportion of sales price. Profit from operations for the Period was up by approximately 32% to HK$20.4 million from HK$15.4 million for the first six months of 2002. Net profit for the Period was HK$14.5 million, representing an increase of approximately 48% compared to the net profit of HK$9.8 million for the first six months of 2002 as restated upon the adoption of a revised Statement of Standard Accounting Practice in respect of deferred taxation. Basic and diluted earnings per share for the Period were 3.89 HK cents and 3.89 HK cents respectively compared to the restated earnings per share of 2.63 HK cents and 2.63 HK cents respectively for the first six months of 2002.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash inflow generated from operating activities during the Period amounted to HK$16.9 million, which was lower than that of the same period last year at HK$44.0 million mainly due to the buildup of inventories as a result of the consignment store arrangements for certain established customers commencing from late 2002 and the fulfillment of surged order inflows after early June 2003 when SARS was near to an end. These factors also accounted for the increase of the inventory turnover period to 113 days for the Period from 82 days for the same period last year.

The debtor turnover period however improved to 97 days from 107 days for the same period last year as a result of focusing on customers with timely payment.

Total borrowings in respect of bank loans and finance leases at 30 June 2003 increased to HK$111.9 million from HK$88.0 million at 31 December 2002 to finance the purchases of increased inventories and additional capital expenditure. Capital expenditure incurred during the Period on various additions of machinery and equipment was approximately HK$48.2 million (2002: HK$24.8 million) and was funded by internally generated resources and new finance leases payable in not less than 36 monthly instalments.

At 30 June 2003, the shareholders' equity was HK$238.3 million, representing an increase of approximately 7% compared to the restated shareholders' equity of HK$223.7 million at 31 December 2002. The gearing ratio calculated as a percentage of total borrowings in respect of bank loans and finance leases to total shareholders' equity was 47.0% at 30 June 2003 compared to 39.3% at 31 December 2002.

Other than trade bills discounted to banks in the ordinary course of business, the Group had no material contingent liabilities. The Group conducts its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese yens. As long as Hong Kong dollar is pegged to United States dollar and there is no major fluctuation in the exchange rate between Renminbi and Hong Kong dollar, the Group does not anticipate any significant foreign exchange risk in this respect. The Group will monitor its foreign exchange exposure in Japanese yens and market conditions if any hedging is required. Forward exchange contracts are used for hedging payment in Japanese yens.

EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2003, the Group had approximately 72 members of staff in Hong Kong (31 December 2002: 67) and employed a total work force of approximately 2,388 (31 December 2002: 2,171) inclusive of its staff in China and overseas offices. Total headcount increased mainly for the expansion of a major manufacturing base to meet increasing order flows.

Salaries, bonuses and benefits were determined with reference to market terms and the performance, qualifications and experience of individual employees.

FUTURE PROSPECTS

The Group has leased additional factory premises for the purpose of expanding its manufacturing capacity. The premises are under renovation and are expected to commence operation in the fourth quarter of 2003.

During the Period, the Group increased interest in a subsidiary in Wuxi by 1.4% as a step to consolidate its base further in Eastern China. The Group is also negotiating with the relevant authority on the intended acquisition of a piece of land for future manufacturing development in Wuxi to meet the market demands in Eastern and Northern China. If the negotiation is successful, the additional production facilities will be expected to commence operations in the second half year of 2004 upon the completion of construction and installation of machinery and equipment.

With signs of global economic recovery, management is optimistic that 2003 will be another sales record breaking year in the Group's history in the absence of any unforeseeable adverse circumstances.

To sustain business growth and development in the next few years, the Company will explore ways to seek longer term bank financings in the current low interest rate environment. This will ensure the strengthening of the Group's operating capital and consolidation of its financing structure.

An office is also set up in September 2003 in the United States to market directly to those US-based multinational electronics corporations in order to be their approved vendor.