

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" and the applicable disclosure requirement of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2003.

The interim financial statements have been prepared in accordance with the principal accounting policies set out in the Group's audited financial statements for the year ended 31 March 2003, except that the Group has adopted the revised SSAP 12 "Income Taxes" to account for the deferred taxation which became effective on 1 January 2003.

The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively and the comparative figures have been restated accordingly. This change in accounting policy has resulted in a decrease of HK\$772,000 and an increase of HK\$288,000 in the profit attributable to shareholders for the six months ended 30 September 2003 and 2002, respectively. The opening reserves at 1 April 2003 and 2002 have been reduced by HK\$803,000 and HK\$962,000, respectively.

2. SEGMENT INFORMATION

The Group principally engages in the marketing and distribution of electronic components and the design, manufacture and original equipment manufacture of electronic products.

An analysis of the Group's turnover and contribution to profit from operating activities for the Group's business segments is as follows:

	Segment turnover Six months ended 30 September		Segment results Six months ended 30 September	
	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000	2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
<i>Business segments:</i>				
Marketing and distribution	721,822	730,438	23,978	27,435
Design, manufacture and original equipment manufacture	113,942	144,822	13,811	(5,892)
	<u>835,764</u>	<u>875,260</u>	<u>37,789</u>	<u>21,543</u>
Interest income			11	312
Unallocated corporate expenses			(417)	(573)
Unrealised holding loss on short term investment			(187)	(67)
			<u>37,196</u>	<u>21,215</u>
Profit from operating activities			<u>37,196</u>	<u>21,215</u>

An analysis of the Group's turnover for the Group's geographical segments is as follows:

	Segment turnover	
	Six months ended	
	30 September	
	2003	2002
	<i>(unaudited)</i>	<i>(unaudited)</i>
	HK\$'000	HK\$'000
<i>Geographical segments:</i>		
Hong Kong	663,004	644,315
Singapore	89,104	86,362
USA and Canada	54,143	5,782
Korea	16,531	135,920
EU	7,525	2,476
Japan	5,058	—
Other locations	399	405
	<u>835,764</u>	<u>875,260</u>

3. PROFIT FROM OPERATING ACTIVITIES

	Six months ended	
	30 September	
	2003	2002
	<i>(unaudited)</i>	<i>(unaudited)</i>
	HK\$'000	HK\$'000
Profit from operating activities is arrived at after charging/(crediting):		
Depreciation	7,664	6,243
Unrealised holding loss on short term investment	187	67
Exchange losses/(gains), net	333	(88)
Interest income	(11)	(312)
	<u>7,973</u>	<u>6,010</u>

4. FINANCE COSTS

	Six months ended	
	30 September	
	2003	2002
	<i>(unaudited)</i>	<i>(unaudited)</i>
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	4,430	5,366
Interest on finance leases	152	149
	<u>4,582</u>	<u>5,515</u>

5. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the 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 laws, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2003	2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Provision for tax in respect of profit for the period:		
Hong Kong	3,714	3,451
Overseas	8	27
Deferred	772	(288)
	<u>4,494</u>	<u>3,190</u>
Tax charge for the period		

6. INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK2.5 cents per ordinary share in issue in respect of the six months ended 30 September 2003 (2002: HK1.0 cent) payable on or before 16 January 2004 to shareholders whose names appear on the register of members of the Company on 29 December 2003.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK\$28,120,000 (2002: HK\$12,510,000) and the weighted average of 363,302,749 (2002: 320,531,637) ordinary shares in issue during the period.

Diluted earnings per share for the six months ended 30 September 2003 is based on the net profit attributable to shareholders of HK\$28,120,000 and the weighted average number of ordinary shares of 366,551,443, after adjusting for the effects of all dilutive potential shares.

Diluted earnings per share for the six months ended 30 September 2002 have not been disclosed, as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share for the period.

8. INVENTORIES

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Raw materials	92,427	47,070
Work in progress	20,462	8,506
Finished goods	134,564	150,835
	<u>247,453</u>	<u>206,411</u>

9. ACCOUNTS RECEIVABLE

The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. A credit committee consisting of senior management and the directors of the Group has been established to review and approve large customer credits.

The aged analysis of the accounts receivable as at 30 September 2003, based on the invoice due date and stated net of provision for doubtful debts, is as follows:

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Accounts receivable:		
Current	187,777	111,215
Less than 30 days	50,429	43,583
31 - 60 days	17,416	15,576
Over 60 days	17,442	13,410
	<u>273,064</u>	<u>183,784</u>

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The aged analysis of the accounts payable as at 30 September 2003, based on the invoice due date, is as follows:

	30 September 2003 (unaudited) HK\$'000	31 March 2003 (audited) HK\$'000
Accounts payable:		
Current	61,157	55,671
Less than 30 days	52,628	50,072
31 - 60 days	13,554	2,270
Over 60 days	3,073	1,707
	130,412	109,720
Accrued expenses	16,114	10,224
	146,526	119,944

11. SHARE CAPITAL

	Number of shares (unaudited)	Share capital (unaudited) HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 30 September 2003 and 31 March 2003	800,000,000	80,000
Issued and fully paid:		
At 1 April 2003	361,532,419	36,153
Exercise of share options	10,800,000	1,080
At 30 September 2003	372,332,419	37,233