

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated quarterly accounts (“Quarterly 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. These Quarterly 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 these Quarterly 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 Quarterly 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.

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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 July 2004 HK\$'000
<i>Assets:</i>		
Leasehold land and land use rights	13,471	13,708
Property, plant and equipment	(41,075)	(33,600)
<i>Liabilities and reserves:</i>		
Property revaluation reserve	(22,727)	(17,447)
Deferred tax	(6,404)	(3,619)
Retained profits	1,527	1,174

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

	Three months ended 31st July	
	2005 HK\$'000	2004 HK\$'000
Depreciation	(197)	(197)
Rental expenses	79	79

(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\$2,355,000 as at 31st July 2005 (1st May 2005: HK\$1,017,000).
- (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\$8,669,000 as at 31st July 2005.

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

(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
.....	
<i>Liabilities and reserves:</i>	
Investment property revaluation reserve	(520)
Deferred tax	91
Retained profits	429

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 period ended 31st July 2004 have been re-classified to conform with the current period's presentation.

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3. Segment information (continued)

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

	Turnover		Profit/ (loss) before taxation	
	Three months ended		Three months ended	
	31st July		31st July	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
Electronic components manufacturing	144,842	140,399	8,739	7,751
Others	371	2,772	325	(215)
	145,213	143,171	9,064	7,536

4. Finance costs

	Three months ended 31st July	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
Interest expenses	4,866	3,612
Arrangement fee on long-term bank loan	176	331
	5,042	3,943

5. Profit before taxation

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

	Three months ended 31st July	
	2005	2004
	HK\$'000	HK\$'000
		(Restated)
<i>Crediting</i>		
Gain on disposal of investment properties	–	50
Income from available-for-sale financial asset	1,305	–
Interest income	146	25
<i>Charging</i>		
Depreciation of property, plant and equipment	16,699	15,677
Cost of inventories sold	113,317	110,808
Staff costs (including directors' emoluments)	30,687	30,627

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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% (2004: 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 July	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax		
– current tax	2,107	1,228
Overseas taxation		
– current tax	848	1,083
Deferred taxation	(470)	(709)
	2,485	1,602

7. Dividend

The Directors resolved not to declare any dividend in respect of the three months ended 31st July 2005 (2004: Nil).

8. Earnings per share

The calculation of basic earnings per share for the three months ended 31st July 2005 is based on the profit attributable to equity holders of the Company of approximately HK\$6,579,000 (2004: HK\$5,934,000) and 693,028,811 (2004: 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 ended 31st July 2004 and 31st July 2005 respectively would have no dilutive effect.

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

During the three months ended 31st July 2005, the additions to property, plant and equipment and investment properties were approximately HK\$16,463,000 (2004: HK\$16,864,000); the total net book value of disposals and write-offs of property, plant and equipment and investment properties were approximately HK\$148,000 (2004: HK\$483,000).

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10. Trade receivables

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

	As at 31st July 2005 HK\$'000	As at 30th April 2005 HK\$'000 (Restated)
Current	126,766	86,812
Overdue by 0 – 1 month	7,858	7,075
Overdue by 1 – 2 months	7,734	1,635
Overdue by 2 – 3 months	2,842	2,110
	145,200	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. Bank loans

(a) Short-term bank borrowings

	As at 31st July 2005 HK\$'000	As at 30th April 2005 HK\$'000
Long-term bank loans, current portion	98,214	89,337
Others	63,407	122,454
	161,621	211,791

(b) Long-term bank loans

During the period, the Group obtained long-term bank loans in the amount of HK\$200,880,000 and the long-term bank loans amounting to approximately HK\$79,711,000 were repaid.

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12. Trade payables

The aging analysis of trade payables is as follows:

	As at 31st July 2005 HK\$'000	As at 30th April 2005 HK\$'000
Current	42,563	42,241
Overdue by 0 – 1 month	1,724	2,393
Overdue by 1 – 2 months	1,489	478
Overdue by 2 – 3 months	447	177
Overdue by more than 3 months	875	1,112
	47,098	46,401

13. Share capital

	Number of shares	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
As at 30th April 2005 and 31st July 2005	1,000,000,000	100,000
Issued and fully paid:		
As at 30th April 2005 and 31st July 2005	693,028,811	69,303

14. 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 three months ended 31st July 2005, no option was granted under the Scheme (2004: Nil).

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15. Commitments and contingent liabilities

(a) Capital commitments

	As at 31st July 2005 HK\$'000	As at 30th April 2005 HK\$'000
Contracted but not provided for		
– construction of a production plant in Zhongshan, Mainland China	7,060	11,672
– purchase of properties in Hong Kong	–	1,377
– purchase of other property, plant and equipment	2,823	29
– The balance of land premium in Zhongshan, Mainland China	1,464	1,464
	11,347	14,542

(b) Contingent liabilities

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

16. Comparative figures

Comparative figures have been adjusted to confirm with the current presentation.