

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006 except in relation to the following new and revised Hong Kong Financial Reportings ("HKFRs", which also include HKASs and interpretations) that affect the Group and are adopted the first time for the current period's financial statements.

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|--------------------------------|---|
| • HKAS 21 Amendment | Net Investment in a Foreign Operation |
| • HKAS 39 Amendment | The Fair Value Option |
| • HKAS 39 & HKFRS 4 Amendments | Financial Guarantee Contracts |
| • HK(IFRIC)-Int 4 | Determining whether an Arrangement contains a Lease |

2. COMPARATIVE AMOUNTS

The unaudited condensed consolidated financial statements for the six months ended 30 September 2005 have been revised to bring it in line with the policies adopted in the annual financial statements for the year ended 31 March 2006. Accordingly, certain comparative amounts have been restated.

The effect of this restatement on the unaudited condensed consolidated income statement during the six months ended 30 September 2005 is set out below:

	<i>HK\$'000</i>
Increase in gain on disposal of available-for-sale equity investment	<u>62,823</u>

3. SEGMENT INFORMATION

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

An analysis of the Group's turnover and contribution to profit from operating activities by principal activity is as follows:

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 September		30 September	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By business segments:				
Marketing and distribution	1,420,975	1,046,293	14,820	17,735
Design and manufacture	25,847	175,937	(14,170)	(34,839)
	<u>1,446,822</u>	<u>1,222,230</u>	<u>650</u>	<u>(17,104)</u>
Interest income			1,256	1,776
Unallocated corporate expenses			(1,784)	(2,209)
Fair value gains on equity investments at fair value through profit or loss			11,701	2,424
Gain on disposal of available-for-sale equity investment			–	37,473
Gain on disposal of a subsidiary			–	39,693
Profit from operating activities			<u>11,823</u>	<u>62,053</u>

An analysis of the Group's turnover by geographical segment is as follows:

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
		(Restated)
	HK\$'000	HK\$'000
Geographical segment:		
Hong Kong	927,338	889,233
Mainland China	–	1,247
Singapore	498,398	204,535
Korea	8,786	33,599
Japan	–	79,991
Other locations	12,300	13,625
	<u>1,446,822</u>	<u>1,222,230</u>

4. OTHER REVENUE

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value gains on equity investments at fair value through profit or loss	11,701	2,424
Dividend income	1,202	510
Interest income	1,256	1,776
Others	1,286	2,165
	<u>15,445</u>	<u>6,875</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and mortgage loans	10,877	8,540
Interest on finance leases	79	76
	<u>10,956</u>	<u>8,616</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	6,107	8,652
Amortisation of intangible assets	–	638
Impairment of property, plant and equipment	–	1,114
(Gain)/loss on disposal of property, plant and equipment	(121)	596
Exchange (gains)/losses, net	(55)	3,475
	<u> </u>	<u> </u>

7. TAX

No provision for Hong Kong profits tax and overseas income tax has been made in the unaudited condensed consolidated income statement for the six months ended 30 September 2006 as the Group either did not generate any assessable profits for the current period or had available tax losses brought forward from prior years to offset the assessable profits generated during the current period.

The Hong Kong profits tax is calculated at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during the six months ended 30 September 2005. 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	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Provision for tax for the period:		
Hong Kong	–	2,233
Overseas	–	4,978
	<u> </u>	<u> </u>
Tax charge for the period	<u> </u> –	<u> </u> 7,211

8. INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the six months period ended 30 September 2006 (2005: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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\$867,000 (2005: HK\$48,113,000 as restated) and the weighted average of 405,082,419 (2005: 405,082,419) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 September 2006 and 2005 have not been disclosed, as the share options outstanding during both periods had an anti-dilutive effect on the basic earnings per share for these periods.

10. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Unlisted equity investments, at cost	70,434	70,434
Provision for impairment	(1,950)	(1,950)
	<u>68,484</u>	<u>68,484</u>

The balances as at 30 September 2006 and 31 March 2006 included the warrant of HK\$60,684,000 and the unlisted equity investment in the Republic of Korea of HK\$7,800,000 which is engaged in the manufacture and sale of organic light-emitting diodes. As at 30 September 2006, the balances were measured at cost less impairment losses because the range of reasonable fair value estimates is so significant and the directors of the Company are of opinion that their fair values cannot be measured reliably. Further details were set out in the Company's annual financial statements for the year ended 31 March 2006.

11. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Managed funds, outside Hong Kong	102,452	99,260
Listed equity investments:		
Hong Kong	85,231	29,384
Other locations	1,912	9,650
	<u>189,595</u>	<u>138,294</u>

All the above investments as at 30 September 2006 were classified as held for trading.

12. INVENTORIES

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Raw materials	21,822	21,920
Work in progress	3,006	4,108
Finished goods	199,000	174,333
	<u>223,828</u>	<u>200,361</u>

13. TRADE RECEIVABLES

Trading terms with customers vary with the type of products supplied. Invoices are normally payable within 30 days of issuance, except for well-established customers, where the terms are extended to 60 days. For customer-specific and highly specialised items, deposits in advance or letters of credit may be required prior to the acceptance and delivery of the products. Each customer has a maximum credit limit. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at 30 September 2006, based on invoice due date and net of provisions is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Current	137,537	158,078
1 – 30 days	76,736	63,512
31 – 60 days	22,536	18,694
Over 60 days	32,147	29,032
	<hr/> 268,956 <hr/>	<hr/> 269,316 <hr/>

14. TRADE PAYABLES AND ACCRUED EXPENSES

An aged analysis of the trade payables as at 30 September 2006, based on invoice due date, is as follows:

	30 September 2006 (Unaudited) HK\$'000	31 March 2006 (Audited) HK\$'000
Current	90,291	47,159
1 – 30 days	24,183	37,947
31 – 60 days	433	346
Over 60 days	115	2,350
	115,022	87,802
Accrued expenses	29,629	27,693
	144,651	115,495

The trade payables and accrued expenses are non-interest-bearing and are normally settled on 90-day terms.