

## ◆ FINANCIAL RESULTS

During the year 2002, the world economy was depressed and there was decrease in turnover in the period to HK\$62,402,000 (2001: HK\$125,379,000). The decrease was mainly due to deteriorating business environment, sales order rescheduling from major customers and keen competition in the industry. The Group's profit margin was slipped due to price reduction from customers. The loss from operating activities was HK\$9,971,000 (2001: HK\$6,535,000). Basic loss per share was HK0.39 cent (2001: HK0.29 cent).

## ◆ BUSINESS REVIEW

"Quality, Delivery & Cost Down" are the target improvement areas for the Group during the period. The major business segments review during the period are as follows:

### **Adaptors and transformers**

Revenue from the adaptors and transformers segment was decreased to HK\$32,229,000 (2001: HK\$55,752,000). The reasons for the decrease were due to continued worldwide economic depression, decrease in demand for traditional linear adaptors and transformers, and price reduction from customers.

### **Electrical products**

Sales of electrical products decreased mainly due to reduce orders for electrical appliances from the Japan market.

### **Other products**

The other products consisted of manufacture and sale of plastics, moulding, and energy saving lamps and other products. The large research and development expenditures incurred in this segment has unavoidably resulted in operating loss.

As the business environment and the material factors underling the Group's results and financial position has not changed materially from the information disclosed in the most recent published annual report of the Group in August 2002, shareholders should refer to the Group's annual report 2002 for reference.

◆ *PROSPECT*

At the end of 2002, we have successfully launched the Electrical Manufacturing Services (“EMS”) for manufacture of musical equipment for one of the world’s largest and leading provider of musical instruments and professional audio equipment. We expect the professional musical business will strengthen the electrical products segment of the Group in the coming years.

To develop the Group’s businesses in the PRC, we have engaged one of the largest distributors in Shanghai who have established sales networks in the Yangtze River Delta Region to distribute our energy-saving lamps and other electrical appliance products.

As there are changes in demand for traditional linear adaptors, the Group has developed several lines of switching power supply in line of which matched various needs of the customers. We expect the switching power supply will generate significant revenue in 2003.

◆ *LIQUIDITY AND FINANCIAL RESOURCES*

The Group financed its operation with internally generated cash flow and banking facilities. As at 31 October 2002, it has net cash on hand of about HK\$6 million. Finance costs were reduced due to the lowering of interest rate during the period. Certain investment properties with an aggregate carrying value of HK\$2 million and fixed deposit of HK\$7 million were pledged to secure banking facilities granted to the Group.

The Group’s gearing ratio (total interest-bearing borrowings over shareholders’ funds) was 22% (2001: 10%) and the current ratio (current assets over current liabilities) maintained at 186% (2001: 216%).

The Group’s transactions are mainly denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is pegged to United States dollars, the Group’s exposure to exchange rate fluctuations is minimal.

### ◆ *EMPLOYEES AND REMUNERATION POLICIES*

As at 31 October 2002, the Group employed a total of 1,700 employees. They were remunerated according to the nature of job and market condition. Other employee benefits available for eligible employees included year-end payments, staff canteen, mandatory provident fund, share option and medical insurance scheme.

To improve the quality of work, an incentive scheme was launched in the period to give awards to employees with outstanding performance. The result was satisfactory with improvement in efficiency and quality of work.

### ◆ *INTERIM DIVIDEND*

The Board of Directors does not recommend the payment of an interim dividend for the period (2001: nil).

### ◆ *DIRECTORS' INTERESTS IN SHARES*

At 31 October 2002, the interests of the directors in the share capital of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

#### **Interests in shares of the Company**

<b>Director</b>	<b>Type of interest</b>	<b>Number of ordinary shares of HK\$0.01 each in the Company</b>
Mr. Lo Wai Shing Felix	Corporate	908,440,000*

- \* The 908,440,000 shares are held by HK Sky Entertainment Holdings Limited ("Sky Entertainment") as to 860,900,000 shares and Sunstar Technology Limited as to 47,540,000 shares. Mr. Lo Wai Shing Felix holds 100% and 54% beneficial interests in these two companies, respectively.

### **Interests in shares of an associate**

Mr. Lo Wai Shing, Felix is also the beneficial owner of Sky Entertainments, which holds 60% equity interest in HK Sky Home Limited, an associate of the Group.

Save as disclosed above, none of the directors or their respective associates has any personal, family, corporate or other interests in the equity or debt security or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

### **◆ *DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES***

Apart from as disclosed under the “Share option scheme” below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### ◆ SHARE OPTION SCHEME

The following share options were outstanding under the scheme during the period:

Name or category of participant	Name of share options				Date of grant of share option	Exercise period of share option	Exercise price of share options HK\$	Company's shares at exercise date of options* HK\$
	At 1 May 2002	Exercised during the period	Lapsed during the period@	At 31 Oct 2002				
Directors								
Mr. Lau Kevin	12,800,000	–	–	12,800,000	24 June 2000	24 June 2000 to 9 November 2008	0.090	–
	<u>12,800,000</u>	<u>–</u>	<u>–</u>	<u>12,800,000</u>				
Other employees, aggregate								
	3,900,000	–	(3,900,000)	–	3 September 1999	3 September 1999 to 9 November 2008	0.107	–
	400,000	–	(100,000)	300,000	14 February 2000	14 February 2000 to 9 November 2008	0.180	–
	600,000	(500,000)	–	100,000	29 June 2000	29 June 2000 to 9 November 2008	0.090	0.295
	1,360,000	–	(160,000)	1,200,000	3 July 2000	3 July 2000 to 9 November 2008	0.090	–
	2,680,000	(600,000)	(960,000)	1,120,000	5 July 2000	5 July 2000 to 9 November 2008	0.090	0.295
	<u>8,940,000</u>	<u>(1,100,000)</u>	<u>(5,120,000)</u>	<u>2,720,000</u>				
	<u>21,740,000</u>	<u>(1,100,000)</u>	<u>(5,120,000)</u>	<u>15,520,000</u>				

@ The share options previously granted to certain employees lapsed upon their resignations.

\* The price of the Company's shares disclosed as at the date of exercise of the share options is the weighted average closing prices of the Stock Exchange over all of the exercises of options within the disclosure category.

No share options were cancelled during the period.

◆ ***SUBSTANTIAL SHAREHOLDERS***

Apart from the interests of Sky Entertainment in the issued share capital of the Company, as disclosed in the “Directors’ interests in shares” section above, no person had registered an interest in the share capital of the company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

◆ ***PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES***

Neither the Company, its holding company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the period.

◆ ***CODE OF BEST PRACTICE***

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, throughout the period covered by the interim report.

◆ ***AUDIT COMMITTEE***

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 31 October 2002.

◆ ***PUBLICATION OF RESULT ON THE WEBSITE OF THE STOCK EXCHANGE***

Information required by paragraphs 46(1) – 46(6) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

On behalf of the Board  
**Lo Wai Shing Felix**  
*Chairman*

Hong Kong, 24 January 2003