

## **Financial results**

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For the year ended 2003, the Group's turnover was HK\$108,371,000 (2002: HK\$192,154,000), representing a decrease of 44% in comparison with last year. The uncertain global economic conditions and the war in Iraq and the outbreak of SARS adversely affected the turnover in the year. Keen competition, short order lead time and severe pricing pressures have caused decrease of gross margin. These resulted in the gross loss for the year at HK\$15,138,000 (2002: profit of HK\$5,787,000).

During the year the Group has disposed the non-profitable subsidiary and associate to focus more on our core business. These resulted in exceptional loss of HK\$19,222,000 (2002: Nil). Basic loss per share was HK3.16 cents (2002: HK1.45 cents).

On 17th April, 2003, the Company entered into a placing agreement for the placing of 60,000,000 new ordinary shares of the Company to independent investors for a consideration of approximately HK\$10,200,000. The placement had enhanced the capital base of the Company. The net proceeds will be used to purchase raw materials for the Group's business expansion.

## **Final dividend**

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The Board does not recommend the payment of any dividend (2002: Nil).

## **Business review**

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The turnover from adaptors and transformers has decreased by 39% and recorded HK\$52,960,000. It comprises of traditional linear transformers, toroidal transformers, adaptors and switching power supplies. The decrease was a result of high competition and poor world economy.

The turnover for electrical products recorded HK\$38,388,000 and is the second largest revenue generator. It has decreased by 57% compared to last year. The decrease was mainly due to the internal restructure and changes of procurement procedures of certain customers. The Group has taken measures to strengthen our relationship with these customers and expects that the revenue for electrical products for the coming year would grow steadily.

The Group continues its development in pro-audio products and has secured major orders in spring 2003 for the production of sound reinforcement systems. The outbreak of SARS and certain other criteria have delayed the mass production to the next financial year.

Japan and North America markets are the two main markets of the Group for the year. The Japan market was weakened due to poor economy in Japan. The North America market remained stable throughout the year.

## **Prospects**

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The Group has also been working closely with its business partners to formulate effective marketing and business strategies. All these measures are taken to uphold the Group's continuous commitment to maximize margins and deliver better profits for the coming year.

The Group would continue to manage costs and improve in efficiency, source new and low cost materials, and research and development in new products. The Group would concentrate on gaining our global valuable customers' confidence through our commitment towards quality products and services.

## **New products development**

As we see the need for quality household products in the market, the Group has invested in the design and development of appliances and household products which fit the middle to upper class consumers. We aim to launch the products in the coming financial year.

## **Liquidity and financial resources**

The Group financed its operation with internally generated cash flow, banking facilities and through private placement. As at 30th April, 2003, the Group had bank borrowings of HK\$24,257,000 (2002: HK\$11,614,000). The Group's gearing ratio (total interest-bearing borrowings over shareholders' funds) was 53% (2002: 13%) and the current ratio (current assets over current liabilities) was 121% (2002: 230%).

Fixed deposit of approximately HK\$4,819,000 was charged to secure banking facilities granted to the Group.

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 30th April, 2003, the Group employed approximately 1,750 employees and workers in both the PRC and Hong Kong. Remuneration policies are reviewed regularly and maintained at competitive level with the market. In addition to basic salary, discretionary bonuses, mandatory provident fund, medical insurance scheme and share options may also be granted to eligible employees which are at the discretion of the Board and are based on the performance of the individual employee as well as the Group.

## **Contingent liabilities**

As at 30th April, 2003 the Company provided guarantees for bank loans in the amount of approximately HK\$23,536,000 (2002: HK\$13,489,000) in respect of the banking facilities granted to subsidiaries. The Group has no significant contingent liabilities at the balance sheet date.