

Notes to the Financial Statements ►

For the year ended 30th April, 2003

1. General

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 34.

2. Adoption of Statements of Standard Accounting Practice

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP"(s)) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of a statement of changes in equity. The adoption of new and revised SSAPs has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment to the Group's results has been required.

Under SSAP 15 (Revised) "Cash Flow Statements", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest paid and interest and dividends received, which were previously presented under a separate heading, are classified as financing and investing cash flows. Cash flows arising from income tax are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude trust receipt loans that are financing in nature. Cash flows of the subsidiary outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

3. Significant accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th April each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

3. Significant accounting policies (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of subsidiaries or associates at the date of acquisition.

Goodwill arising on acquisition on or after 1st May, 2001 is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. Significant accounting policies (continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Deferred costs

Costs incurred in obtaining approvals from safety boards for products to be produced and sold commercially, are capitalised and deferred only when the products are profitable; the costs are separately identifiable and can be measured reliably; and whose technical feasibility has been demonstrated. Deferred costs are stated at cost less amortisation and any impairment losses and are amortised on a straight line basis over a period to reflect the pattern in which the related economic benefits are recognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold improvements	Over the term of the relevant lease
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Moulds	20%
Motor vehicles	20%

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as assets owned by the Group.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

3. Significant accounting policies (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Leased assets

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the terms of the relevant lease.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

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3. Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated into Hong Kong dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as expenses as they fall due.

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For the year ended 30th April, 2003

4. Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three operating divisions - manufacturing and trading of electrical products, adaptors and transformers and other products. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	Adaptors and transformers		Electrical products		Other products		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	52,960	86,854	38,388	89,587	17,023	15,713	108,371	192,154
Segment result	(515)	(10,499)	(1,139)	2,586	(18,018)	(12,486)	(19,672)	(20,399)
Unallocated corporate income							620	1,827
Unallocated corporate expenses							(50,191)	(13,236)
Loss from operations							(69,243)	(31,808)
Finance costs							(2,242)	(3,136)
Loss on disposal of a subsidiary							(19,222)	-
Share of losses of associates							(626)	(1,309)
Impairment loss recognised in respect of investment in an associate							-	(4,490)
Loss before taxation							(91,333)	(40,743)
Income tax credit							1,586	245
Net loss for the year							(89,747)	(40,498)
ASSETS								
Segment assets	41,513	44,060	31,764	40,593	26,481	22,110	99,758	106,763
Interests in associates							-	11,058
Unallocated corporate assets							14,199	58,672
Consolidated total assets							113,957	176,493
LIABILITIES								
Segment liabilities	17,893	12,224	14,653	11,489	7,666	1,622	40,212	25,335
Unallocated corporate liabilities							25,483	23,346
Consolidated total liabilities							65,695	48,681

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For the year ended 30th April, 2003

4. Business and geographical segments (continued)

Business segments (continued)

	Adaptors and transformers		Electrical products		Other products		Unallocated		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
OTHER INFORMATION										
Amortisation of deferred costs	1,113	580	274	746	-	-	-	-	1,387	1,326
Capital expenditure	692	6,014	4,069	5,237	356	3,845	-	-	5,117	15,096
Depreciation of property, plant and equipment	5,425	6,997	3,837	5,921	6,034	4,736	-	-	15,296	17,654
Impairment loss recognised in respect of investment in an associate	-	-	-	-	-	-	-	4,490	-	4,490
Impairment loss recognised in respect of unlisted investment in securities	-	-	-	-	-	-	4,000	-	4,000	-
Loss on disposal of investment properties	-	-	-	-	-	-	630	-	630	-
Loss on disposal of property, plant and equipment	-	-	-	-	-	-	1,069	-	1,069	-
Unrealised holding loss on other investments	-	-	-	-	-	-	1,849	1,096	1,849	1,096
Write – off of inventories	2,034	7,000	-	-	3,303	-	-	-	5,337	7,000
Impairment loss recognised in respect of deferred costs	-	-	-	-	160	-	-	-	160	-

Geographical segments

The Group's customers are principally located in Japan, North America, the People's Republic of China (the "PRC") and Europe. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	2003 HK\$'000	2002 HK\$'000
Japan	32,094	59,586
North America	30,222	33,484
PRC, including Hong Kong	19,878	34,335
Europe	16,985	52,049
Others	9,192	12,700
	108,371	192,154

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4. Business and geographical segments (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and deferred costs, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and deferred costs	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
PRC, excluding Hong Kong	74,002	115,670	1,969	14,457
Hong Kong	39,955	60,823	3,148	639
	113,957	176,493	5,117	15,096

5. Investment losses

	2003 HK\$'000	2002 HK\$'000
Deposit paid for acquisition of unlisted investment written off	821	–
Impairment loss recognised in respect of unlisted investment in securities	4,000	–
Unrealised holding loss on other investment	1,849	1,096
	6,670	1,096

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6. Loss from operations

	2003 HK\$'000	2002 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs, including directors' remuneration		
– salaries and allowances	31,999	40,024
– retirement benefits scheme contributions	540	911
Total staff costs	32,539	40,935
Allowance for bad and doubtful debts	1,915	1,400
Amortisation of deferred costs (included in cost of sales)	1,387	1,326
Auditors' remuneration	790	720
Depreciation of property, plant and equipment:		
– Owned assets	14,925	17,310
– Assets under finance leases	371	344
	15,296	17,654
Impairment loss recognised in respect of deferred costs	160	–
Loss on disposal of investment properties	630	–
Loss on disposal of property, plant and equipment	1,069	–
Write-off of inventories	5,337	7,000
and after crediting:		
Dividends received from listed investments	34	135
Interest income	198	671
Rental income from investment properties, net of outgoings of HK\$5,000 (2002: HK\$10,000)	108	252

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7. Directors' and employees' emoluments

Particulars of the emoluments of directors and the five highest paid employees are as follows:

	2003 HK\$'000	2002 HK\$'000
(a) Directors' emoluments		
Directors' fees:		
Executive directors	–	–
Independent non-executive directors	240	240
	240	240
Other emoluments:		
Executive directors		
– salaries and other benefits	2,633	4,203
– retirement benefits scheme contributions	50	140
	2,683	4,343
Independent non-executive directors:		
– retirement benefits scheme contributions	12	12
Total emoluments	2,935	4,595

The emoluments of the directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	7	6
HK\$1,000,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	1
	7	7

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For the year ended 30th April, 2003

7. Directors' and employees' emoluments (continued)

(b) Employees' emoluments

During the year, the five highest paid individuals included three directors (2002: five directors), details of whose emoluments are set out in note 7(a) above.

The emoluments of the remaining two individuals (2002: Nil) are as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,380	–
Pension scheme contributions	24	–
	1,404	–

The aggregate emoluments of each of the individuals during the year were below HK\$1,000,000.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group as compensation for loss of office. None of the directors has waived any emoluments during the year.

8. Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	2,100	2,644
– finance leases	142	492
	2,242	3,136

9. Income tax credit

	2003 HK\$'000	2002 HK\$'000
The credit comprises:		
Hong Kong Profits Tax		
Current year	–	–
Overprovision in previous years	–	245
Deferred taxation (note 23)	1,586	–
	1,586	245

9. Income tax credit (continued)

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company's Hong Kong subsidiaries have no assessable profit for the year.

No PRC tax provision has been made as the PRC subsidiary incurred a tax loss during the year.

Details of the deferred taxation for the year are set out in note 23.

10. Loss per share

The calculation of the basic loss per share is based on the net loss for the year of approximately HK\$89,747,000 (2002: HK\$40,498,000) and on the weighted average number of 2,843,109,589 (2002: 2,793,694,247) shares in issue throughout the year.

The computation of diluted loss per share has not assumed the exercise of the Company's outstanding share options as their exercise would have an anti-dilutive effect on loss per share for each of the two years ended 30th April, 2003.

11. Investment properties

	THE GROUP HK\$'000
VALUATION	
At 1st May, 2002	2,800
Disposal	(1,800)
At 30th April, 2003	1,000

The Group's investment properties were revalued at 30th April, 2003 by an independent firm of professional valuers, C.L. Tsang Surveyors Limited, on an open market value basis. There was no surplus or deficit arising on the revaluation.

The carrying amount of investment properties comprises:

	THE GROUP 2003 HK\$'000	2002 HK\$'000
Buildings in Hong Kong under medium-term lease	–	1,800
Buildings in the PRC under medium-term lease	1,000	1,000
	1,000	2,800

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12. Property, plant and equipment

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Moulds HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1st May, 2002	21,023	69,838	18,664	19,284	2,198	131,007
Additions	153	57	680	35	–	925
Disposals	(1,296)	(398)	(224)	–	–	(1,918)
Disposal of a subsidiary	(2,000)	(1,000)	(2,000)	(2,000)	–	(7,000)
At 30th April, 2003	17,880	68,497	17,120	17,319	2,198	123,014
DEPRECIATION						
At 1st May, 2002	6,241	53,262	9,750	11,239	837	81,329
Provided for the year	1,911	7,173	2,807	3,016	389	15,296
Eliminated on disposals	(273)	(279)	(145)	–	–	(697)
At 30th April, 2003	7,879	60,156	12,412	14,255	1,226	95,928
NET BOOK VALUE						
At 30th April, 2003	10,001	8,341	4,708	3,064	972	27,086
At 30th April, 2002	14,782	16,576	8,914	8,045	1,361	49,678

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of property, plant and equipment at the balance sheet date is as follows:

	2003 HK\$'000	2002 HK\$'000
Plant and machinery	2,651	6,215
Furniture, fixtures and equipment	–	9
Motor vehicles	880	1,154
	3,531	7,378

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13. Deferred costs

	THE GROUP
	HK\$'000
COST	
At 1st May, 2002	7,147
Additions	4,192
At 30th April, 2003	11,339
AMORTISATION	
At 1st May, 2002	3,370
Provided for the year	1,387
Impairment loss recognised	160
At 30th April, 2003	4,917
NET BOOK VALUE	
At 30th April, 2003	6,422
At 30th April, 2002	3,777

The deferred costs are amortised on the straight line basis over a period of five years.

14. Interests in subsidiaries

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	106,167	106,167
Amounts due from subsidiaries	191,701	189,217
	297,868	295,384
Impairment losses recognised	(251,378)	(169,076)
	46,490	126,308

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

At the balance sheet date, the directors of the Company considered that in the light of the recurring operating losses of these subsidiaries and unfavourable market conditions, the recoverable amount of its subsidiaries has been reduced to the estimated net realisable value of the identifiable net assets.

Details of the Company's principal subsidiaries at 30th April, 2003 are set out in note 34.

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15. Interests in associates

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets of associates	4,490	12,318
Goodwill (Note)	–	886
Amount due from an associate	–	2,344
	4,490	15,548
Impairment losses recognised	(4,490)	(4,490)
	–	11,058

The amount due from an associate is unsecured, interest-free and was fully settled upon the disposal of the associate.

Note:

	THE GROUP HK\$'000
COST	
At 1st May, 2002	1,023
Disposals	(1,023)
At 30th April, 2003	–
AMORTISATION	
At 1st May, 2002	137
Provided during the year	119
Eliminated on disposal during the year	(256)
At 30th April, 2003	–
NET BOOK VALUE	
At 30th April, 2003	–
At 30th April, 2002	886

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15. Interests in associates (continued)

Details of the Group's associate at 30th April, 2003 are as follows:

Name of associate	Place of incorporation and operations	Class of share held	Attributable equity interest to the Group indirectly	Principal activity
HK Sky Home Limited	Hong Kong	Ordinary	40%	Trading of home-related products

16. Unlisted investment in securities

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unlisted investments, at cost	39,902	39,902
Loan to an investee	2,000	2,000
	41,902	41,902
Impairment losses recognised	(41,902)	(37,902)
	–	4,000

The loan to an investee of the Group is unsecured, interest-free and has no fixed repayment terms. The amount will not be repayable within twelve months from the balance sheet date and is therefore shown as non-current.

17. Inventories

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	30,826	37,763
Work in progress	8,091	4,603
Finished goods	5,293	7,885
	44,210	50,251

The above inventories are stated at cost. Any unusable or obsolete inventories have been fully written off.

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18. Trade receivables

The Group allows an average credit period of 30 days to 60 days to its trade customers.

The aged analysis of trade receivables prepared on the basis of sales invoice date is stated as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 90 days	16,236	29,973
91 – 180 days	1,614	395
Over 180 days	3,190	–
	21,040	30,368

19. Other investments

THE GROUP

The amount at the balance sheet date represented equity securities listed in Hong Kong which were stated at their market values.

20. Trade payables

The aged analysis of trade and bills payables prepared on the basis of supplier invoice date is stated as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 – 90 days	24,583	23,474
91 – 180 days	3,370	935
Over 180 days	4,316	132
	32,269	24,541

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21. Obligations under finance leases

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts payable under finance leases:				
Within one year	1,011	3,418	949	3,227
In the second to fifth years inclusive	281	1,293	277	1,226
	1,292	4,711	1,226	4,453
Less: Future finance charges	(66)	(258)		
Present value of lease obligations	1,226	4,453		
Less: Amount due for settlement within one year shown under current liabilities			(949)	(3,227)
Amount due for settlement after one year			277	1,226

The Group leases certain of its plant and machinery, furniture, fixtures and equipment and motor vehicles under finance leases. The average lease term is 3 years. For the year ended 30th April, 2003, the average effective borrowing rate was 3% (2002: 3%). Interest rates are fixed at the contract date. All leases are on fixed repayment basis in Hong Kong dollars and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

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22. Bank and other borrowings

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank and other borrowings comprise:		
Bank loans	16,933	5,982
Trust receipt loans	7,324	5,632
Other borrowings	–	1,025
	24,257	12,639
Analysed as:		
Secured	7,403	12,244
Unsecured	16,854	395
	24,257	12,639
The bank and other borrowings are repayable as follows:		
Within one year or on demand	24,257	12,417
More than one year, but not exceeding two years	–	222
Total	24,257	12,639
Less: Amount repayable within one year or on demand and shown under current liabilities	(24,257)	(12,417)
Amount due after one year	–	222

23. Deferred taxation

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Balance brought forward	1,586	1,586
Credit for the year (note 9)	(1,586)	–
Balance carried forward	–	1,586

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23. Deferred taxation (continued)

At the balance sheet date, the major components of the deferred tax liabilities (assets), provided and unprovided, are as follows:

	THE GROUP			
	Provided		Unprovided	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences attributable to:				
Excess of tax allowance over depreciation	–	1,586	2,055	–
Tax losses	–	–	(3,849)	–
	–	1,586	(1,794)	–

The deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profit as it is uncertain that the tax losses will be utilised in the foreseeable future.

The Company had no significant unprovided deferred taxation for the year or at the balance sheet date.

24. Share capital

	Number of ordinary shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1st May, 2002 and 30th April, 2003	5,000,000,000	50,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
At 1st May, 2001	2,599,980,000	26,000
Issue of shares on private placement	260,000,000	2,600
Repurchase of shares	(19,440,000)	(194)
Exercise of share options	1,560,000	15
At 30th April, 2002	2,842,100,000	28,421
Issue of shares on placement (note i)	60,000,000	600
Exercise of share options (note ii)	1,100,000	11
At 30th April, 2003	2,903,200,000	29,032

24. Share capital (continued)

During the year ended 30th April, 2003, the following changes in the share capital of the Company took place:

- (i) On 17th April, 2003, the Company issued 60,000,000 ordinary shares of HK\$0.01 each in the Company to a placing agent at a price of HK\$0.17 per share, representing a discount of approximately 10.05% to the closing price of HK\$0.189 per share as quoted on the Stock Exchange on 17th April, 2003 (date of the share placing agreement). The net proceeds were used as the Group's working capital. These new shares were issued under the general mandate granted to the directors at the annual general meetings of the Company held on 27th September, 2002.
- (ii) During the year, 1,100,000 shares options were exercised at an exercise price of HK\$0.090 per share.

All new shares issued by the Company during the year ranked *pari passu* with existing shares in all respects.

25. Share option scheme

A share option scheme (the "Scheme") was adopted by the Company for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the Scheme, the Board of Directors of the Company may grant options to the full-time employees (including executive directors) of the Company or any of its subsidiaries. The Scheme became effective on 10th November, 1998 and will remain in force for 10 years from the date of adoption.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. At 30th April, 2003, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 15,100,000 (2002: 21,740,000), which represented approximately 0.5% (2002: 0.8%) of the Company's shares in issue as at that date. There is no limit on the maximum number of shares issuable under share options to each eligible participant in the Scheme.

Options granted must be taken up within 28 days from the date of the grant, upon payment of HK\$1 per grant. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors at their discretion based on the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the offer date, or the nominal value of the Company's shares.

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For the year ended 30th April, 2003

25. Share option scheme (continued)

Pursuant to the amendments (the "New Rules") to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), any options granted after 1st September, 2001 must comply with the provisions of the New Rules. If the Company wishes to grant options to its directors or other eligible participants in the future, a new share option scheme in compliance with the New Rules must be approved and adopted by the shareholders of the Company in a general meeting. A new share option scheme in compliance with the New Rules will be proposed to be adopted in a forthcoming period.

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Date of grant	Exercise price HK\$	Outstanding as at 1.5.2001	Exercised during the year ended 30.4.2002	Lapsed during the year ended 30.4.2002	Outstanding as at 1.5.2002	Exercised during the year ended 30.4.2003	Lapsed during the year ended 30.4.2003	Outstanding as at 30.4.2003
3.9.1999	0.107	6,400,000	-	(2,500,000)	3,900,000	-	(3,900,000)	-
12.10.1999	0.210	8,250,000	-	(8,250,000)	-	-	-	-
14.2.2000	0.180	600,000	-	(200,000)	400,000	-	(200,000)	200,000
24.6.2000	0.090	19,200,000	-	(6,400,000)	12,800,000	-	-	12,800,000
29.6.2000	0.090	4,020,000	(1,560,000)	(1,860,000)	600,000	(500,000)	-	100,000
3.7.2000	0.090	2,120,000	-	(760,000)	1,360,000	-	(160,000)	1,200,000
5.7.2000	0.090	6,680,000	-	(4,000,000)	2,680,000	(600,000)	(1,280,000)	800,000
		47,270,000	(1,560,000)	(23,970,000)	21,740,000	(1,100,000)	(5,540,000)	15,100,000

An aggregate of 1,560,000 options were exercised on the dates from 18th March, 2002 to 12th April, 2002. The closing price of the Company's shares on the trade days immediately before the dates on which the options were exercised ranged from HK\$0.160 to HK\$0.170.

On 30th May, 2002, 1,100,000 share options were exercised. The closing price of the Company's share on the trade day immediately before the date on which the options were exercised was HK\$0.295.

Details of the share options held by the executive directors included in the above tables are as follows:

Date of grant	Exercise price HK\$	Outstanding at 1.5.2001	Lapsed during the year ended 30.4.2002	Outstanding at 30.4.2002 and 30.4.2003
12.10.1999	0.210	8,250,000	(8,250,000)	-
24.6.2000	0.090	19,200,000	(6,400,000)	12,800,000
		27,450,000	(14,650,000)	12,800,000

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For the year ended 30th April, 2003

25. Share option scheme (continued)

Details of the specific categories of options are as follows:

Date of grant	Exercise price HK\$	Exercisable period
3.9.1999	0.107	3.9.1999 to 9.11.2008
12.10.1999	0.210	12.10.1999 to 9.11.2008
14.2.2000	0.180	14.2.2000 to 9.11.2008
24.6.2000	0.090	24.6.2000 to 9.11.2008
29.6.2000	0.090	29.6.2000 to 9.11.2008
3.7.2000	0.090	3.7.2000 to 9.11.2008
5.7.2000	0.090	5.7.2000 to 9.11.2008

26. Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000 (Note)	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY					
At 1st May, 2001	145,422	477	44,942	(64,274)	126,567
Issue of shares	14,300	–	–	–	14,300
Expenses incurred in connection with the issue of shares	(124)	–	–	–	(124)
Share repurchased	(979)	–	–	–	(979)
Issue of shares on exercise of share options	125	–	–	–	125
Net loss for the year	–	–	–	(40,498)	(40,498)
At 30th April, 2002	158,744	477	44,942	(104,772)	99,391
Issue of shares	9,600	–	–	–	9,600
Issue of shares on exercise of share options	88	–	–	–	88
Expenses incurred in connection with the issue of shares	(102)	–	–	–	(102)
Net loss for the year	–	–	–	(90,571)	(90,571)
At 30th April, 2003	168,330	477	44,942	(195,343)	18,406

Note: The contributed surplus of the Company represents the difference between the fair value of the shares of the subsidiaries acquired under a group reorganisation in 1998 and the nominal value of the Company's shares issued in exchange.

26. Reserves (continued)

In addition to accumulated profits, under The Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors of the Company, the Company's reserves available for distribution to shareholders as at 30th April, 2003 were HK\$17,929,000 (2002: HK\$98,914,000).

27. Disposal of a subsidiary

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Property, plant and equipment	7,000	–
Investment in an associate	8,088	–
Amount due from an associate	7,359	–
	22,447	–
Loss on disposal	(19,222)	–
	3,225	–

The subsidiary disposed of during the year did not have any significant impact on the Group's cash flows, turnover and operating results.

28. Major non-cash transactions

During the year ended 30th April, 2002, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value of the inception of the leases of HK\$3,296,000.

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For the year ended 30th April, 2003

29. Retirement benefits schemes

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees. The Group contributes at the lower of HK\$1,000 or 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total costs charged to income statement of approximately HK\$540,000 (2002: HK\$911,000) represents contributions payable to the above schemes by the Group in respect of the current accounting period. As at 30th April, 2003, contributions of approximately HK\$68,000 (2002: HK\$77,000) due in respect of the reporting period had not been paid over the schemes.

30. Contingent liabilities

As at 30th April, 2003, the Company provided guarantee amounting to approximately HK\$23,536,000 (2002: HK\$13,489,000) to banks in respect of the banking facilities granted to subsidiaries.

31. Pledge of assets

At the balance sheet date, certain assets of the Group with the following net book value were pledged to banks in order to secure general banking facilities granted to the Group:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Bank deposits	4,819	10,531
Trade receivables	2,584	–
Investment properties	–	1,800
	7,403	12,331

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For the year ended 30th April, 2003

32. Capital commitments

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	95	400

The Company had no capital commitment at the balance sheet date.

33. Operating leases

The Group as a lessee

The Group made approximately HK\$9,756,000 (2002: HK\$8,975,000) minimum lease payments under operating leases during the year in respect of land and buildings.

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases for land and buildings, which fall due as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	6,474	6,408	1,763	1,911
In the second to fifth years inclusive	11,284	13,366	1,469	–
	17,758	19,774	3,232	1,911

Operating lease payments represent rentals payable by the Group for certain of its land and buildings and are negotiated for an average term of ranging from one to ten years.

The Group as a lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2003 HK\$'000	2002 HK\$'000
Within one year	–	147

At the balance sheet date, the Company had no commitments under operating leases (2002: Nil).

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34. Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 30th April, 2003 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid up share capital	Proportion of nominal value of issued share capital held by the Group		Principal activities
			Directly	Indirectly	
Bai Mei Qin Electrical (Shenzhen) Limited	PRC (note a)	US\$350,000	–	100%	Manufacture and sale of transformers, adaptors and electrical products
Mei Ah Electrical & Industry (HK) Limited	Hong Kong (note b)	Ordinary HK\$90 Non-voting deferred HK\$1,000,000 (note c)	–	100%	Manufacture and sale of transformers, adaptors and electrical products
MAE Enterprises Limited	BVI (note b)	Ordinary US\$10	100%	–	Investment holding
MAE Investments Limited	BVI (note b)	Ordinary US\$2	100%	–	Investment holding
Mei Ah Lighting Industrial Limited	Hong Kong (note b)	Ordinary HK\$10,000	–	100%	Manufacture and sale of energy-saving lamps
Mei Ah Management Services Limited	Hong Kong (note b)	Ordinary HK\$2	–	100%	Provision of management service to group companies
Mei Ah Plastic Moulds Company Limited	Hong Kong (note b)	Ordinary HK\$10,000	–	100%	Processing of plastic components and plastic moulds
Mei Ah Sourcing Limited	Hong Kong (note b)	Ordinary HK\$2	–	100%	Sourcing of raw materials for group companies
Mei Ah Technology Limited	Hong Kong (note b)	Ordinary HK\$10,000	–	100%	Manufacture and sale of electronic products
Perfect-Tech Electronics Limited	Hong Kong (note b)	Ordinary HK\$2	–	100%	Manufacture and sale of electronic products
Star Technology Inc.	BVI (note b)	Ordinary US\$1	–	100%	Investment holding

34. Principal Subsidiaries (continued)

Notes:

- a. The company is registered in the form of wholly owned foreign investment enterprise.
- b. The companies are registered as private limited companies.
- c. The holders of the deferred shares are entitled to minimum rights as to dividends and return of capital, and are not entitled to share in the Company's profit or to attend or vote at any general meetings of the company, which rights are vested in the ordinary shares.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results of the Group for the year or formed a substantial portion of the net assets of the Group at the end of the year. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.