

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 30 April 2003 except that the Group has adopted the revised SSAP 12 (“Income Tax”) issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003.

In the current period, the Group has adopted, for the first time, the revised SSAP 12. The principal effect of the adoption of SSAP 12 (revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method in which a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements of SSAP 12 (revised), the new accounting policy has been applied retrospectively, but the adoption of the standard has not had any material effect on the results for the current or prior accounting periods.

2. SEGMENT INFORMATION

Business segments*For the six months ended 31 October*

	Electrical products		Adaptors and transformers		Others		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Segment turnover								
Sales to external customers	68,756	26,036	26,264	32,229	5,127	4,137	100,147	62,402
Segment results	6,326	3,063	1,096	1,798	(4,966)	(3,404)	2,456	1,457
Unallocated income							1,479	669
Unallocated expenses							(14,607)	(12,097)
Loss from operations							(10,672)	(9,971)
Finance costs							(818)	(1,013)
Loss for the period							(11,490)	(10,984)

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2. SEGMENT INFORMATION *(continued)*

Geographical segments

For the six months ended 31 October

	Turnover by geographical market	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Japan	65,989	20,006
North America	17,578	15,924
PRC	11,180	16,214
Europe and others	5,400	10,258
	100,147	62,402

3. LOSS FROM OPERATIONS

The Group's loss from operations is arrived at after charging:

	Unaudited Six months ended 31 October	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation:		
Owned assets	5,668	6,800
Assets under finance leases	343	1,231
Amortisation of deferred costs	669	704

4. TAXATION

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 current and the last periods.

No PRC tax provision has been made as the PRC subsidiary incurred a tax loss during the current and the last periods.

5. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from the period of HK\$11,490,000 (2002: HK\$10,984,000) and the weighted average of 2,903,200,000 (2002: 2,843,110,000) ordinary shares in issue during the current and the last periods.

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 the current period ended 31 October 2003.

The calculation of diluted loss per share is based on the net loss from ordinary activities attributable to shareholders for the last period of HK\$10,984,000 and 2,853,305,000 ordinary shares, being the weighted average number of ordinary shares in issue during the last period, adjusted for the effects of dilutive potential ordinary shares outstanding during the last period.

6. TRADE RECEIVABLES

The aging analysis of the trade receivable is stated as follows:

	Unaudited	Audited
	31 October	30 April
	2003	2003
	HK\$'000	HK\$'000
Within 90 days	14,966	16,236
Between 91 and 180 days	2,251	1,614
Over 180 days	3,435	3,190
	20,652	21,040

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7. TRADE PAYABLES

The aging analysis of the trade payables is stated as follows:

	Unaudited	Audited
	31 October	30 April
	2003	2003
	HK\$'000	HK\$'000
Within 90 days	35,846	24,583
Between 91 and 180 days	6,468	3,370
Over 180 days	2,995	4,316
	45,309	32,269

FINANCIAL RESULTS

The recovery of the world economy commenced after the second quarter of 2003. The turnover for the period recorded HK\$100,147,000 (2002: HK\$62,402,000), representing an increase of 60% compared to last period. The increase was mainly due to the manufacture of the pro-audio products in the electrical products segment. Selling price reduction due to keen competition in the industry and increased raw material cost reduced the profit margin of the Group. The loss from operations was HK\$10,672,000 (2002: HK\$9,971,000). Basic loss per share was HK0.40 cent (2002: HK0.39 cent).

BUSINESS REVIEW

Establishment of the Electrical Manufacturing Services ("EMS") significantly improved the turnover for the Group during the period. During the period, the price of copper wires and silicon steel were increased. The increase in costs together with the selling price reduction had squeezed the profit margin of the Group. The major business segments review are as follows:

ELECTRICAL PRODUCTS

The electrical products segment records HK\$68,756,000 (2002: HK\$26,036,000). Significant revenue growth in this segment was contributed by the successful establishment of the EMS for the pro-audio products.

ADAPTORS AND TRANSFORMERS

Revenue from the adaptors and transformers segment was decreased to HK\$26,264,000 (2002: HK\$32,229,000). The decrease was due to the reduction in demand for linear adaptors and transformers and strong competition from rivals.

OTHER PRODUCTS

The other products consisted of manufacture and sale of plastics, moulding, energy saving lamps and others.

Geographically, the Japan market was the major revenue generator. The Japan market records a growth of more than double as a result of efforts to enlarge the customer base and increase the product range. The North America market remains steady and has a moderate increase in turnover in the period.

PROSPECT

The Group will continue to strengthen the EMS in the manufacture of musical instrument and equipment and has implemented plans for cost reduction and improvement in production efficiency. The Group will further develop the relationship with existing customers to explore the opportunities of sales of new products. The result of the improvement in performance and the gross margin are expected in the following period. The Group has also designed household appliance products to meet the customer needs in 2004. Both sections will continue to contribute to the Group in 2004.

To cope with the changes in demand for power supply and adaptors, the Group will continue to develop more switching power supply to suit different customers' needs.

The Group will continue to control the administrative and overhead costs to improve the operation efficiency. The Closer Economic Partnership Arrangement ("CEPA") will offer new business opportunities to the Group and increase its competitiveness in the mainland market.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation with internally generated cash flow and banking facilities. As at 31 October 2003, it has about HK\$7 million bank balances and HK\$2 million bank overdrafts. Finance costs were reduced due to the lowered interest rate during the period. Fixed deposits of about HK\$5 million were pledged to secure banking facilities granted to the Group.

The Group's gearing ratio (prior charge capital over capital employed) was 31% (2002: 18%) and the current ratio (current assets over current liabilities) was 111% (2002: 186%).

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 2003, the Group employed a total of 1,650 employees. They were remunerated according to the nature of job and market condition. Other employee benefits available for eligible employees included staff canteen, mandatory provident fund, share option and medical insurance scheme.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2002: nil).