MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The world economy gradually improved in the year 2004. The turnover for the period was HK$105 million (2003: HK$100 million) which represented an increase of 5% as compared to last period. However, the gross profit margin decreased slightly to 4.0% (2003: 4.4%). Though the Group has exercised cost control measures, result was adversely affected by the increase in price of raw materials, such as copper wires, silicon steel, and plastic materials. The basic loss per share was HK0.28 cents (2003: HK0.40 cents). The major business segments review was as follows:

ELECTRICAL PRODUCTS

The turnover of electrical products increased by 24% during this period. Gradual improvement in this segment of sales will be anticipated.

ADAPTORS AND TRANSFORMERS

The turnover of adaptors and transformers decreased as compared to last period. This was attributable to the increase in price of major raw materials and keen competition from rivals.

OTHER PRODUCTS

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

The Group entered into a sale and purchase agreement in October 2004 in relation to the sale of 5.2 million shares of an associate company, at a consideration of HK$2 million, resulting a gain from disposal of HK$2 million. The sale will streamline the business of the Group.

Geographically, the Japan market was still the major revenue generator. In view of economic growth in the PRC, the Group will continue to develop the PRC market.

PROSPECTS

The Group will continue to develop the Electrical Manufacturing Services ("EMS") and Original Design Manufacturer ("ODM") in the production of musical equipment, sound reinforcement system and electrical appliance businesses. The Group will also strengthen and improve the production efficiency of transformer and power supply products.

At the same time, the Group anticipates keen competition in the adaptors and transformers business. The Group aims at maintaining high quality standard as well as increasing the production efficiency to compensate for the decrease in profit margin. The management will also make an effort to improve the operation efficiency by controlling the administrative and overhead costs.

Despite unforeseen and adverse condition, the outlook for the Group's business remains positive for the rest of the fiscal year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation with internally generated cash flow and banking facilities. As at 31 October 2004, it had about HK$12 million bank balances and HK$3 million bank overdrafts. Finance costs were reduced due to the lowered interest rate during the period. Fixed deposits of about HK$3 million were pledged to secure banking facilities granted to the Group.

The Group's gearing ratio (prior charge capital over capital employed) was 60% (2003:31%) and the current ratio (current assets over current liabilities) was 95% (2003:111%).

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 2004, the Group employed approximately 1,100 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 (2003: nil).