Management Discussion and Analysis

Financial results

For the year ended 30th April, 2005, the Group's turnover was HK$128,968,000 (2004: HK$188,036,000), representing a decrease of 31% in comparison with last year. The decrease of turnover was mainly due to keen price competition and reduction of order for the Electrical Manufacturing Service (EMS) segment. The tense supply of raw materials such as copper, silicon steels and petroleum has caused persistent and continuous increase of prices in essential materials in the production process. The narrowing of margin and reduction in volume by major customers resulted in the gross loss for the year at HK$3,407,000 (2004: profit of HK$592,000). The basic loss per share was HK21.01 cents (2004: HK28.73 cents)

In October 2004, the Group has disposed of an associate for a consideration of HK$2,000,000, the proceeds were used for business expansion purpose.

In addition, the Group has taken equity fund raising activities by entering into placing agreements of new existing shares placing (dated 12th October, 2004) and top-up placing (dated 23rd December, 2004 and 17th February, 2005) for a net proceed of approximately HK$14,612,000. The placements had enhanced the capital base of the Company and the net proceeds were used as working capital for the Group's operation and expansion.

Subsequent to the balance sheet date, the Group had completed the fund raising by way of a rights issue for a consideration of approximately HK$20,000,000. The proceeds are intended for business operation and expansion, and enhance the working capital base.

Final dividend

The Board does not recommend the payment of any dividend (2004: Nil).

Business review

The turnover for electrical products recorded HK$101,550,000 and represented a decrease of 20% compared with last year. Though the turnover was decreased, this segment was still the largest revenue generator and the Group will continue to develop products in this segment.

The turnover for adaptors and transformers recorded HK$22,786,000 representing a decrease of 57% compared with last year. This was attributable to the increase in price of major raw materials and keen competition from rivals.

The other products consisted of manufacture and sale of plastics, moulding and electronic assembly services.

Prospects

While consolidating and strengthening its existing business operations, the Group has proactively explored other favorable business opportunities. In addition, the Group is persistent to its diversified investment policy and continues to seek appropriate investment opportunities, which are in favor of Group's operation and expansion.

In view of economic growth in the PRC, the Group will continue to develop the PRC market. The Board was aware of the risk of over-reliance on a few major customers and has taken measures to increase the customer base. By exploring new market opportunities, the Group will increase its customer base for all divisions.

The demand for the manufacture of professional audio and musical instrument in the PRC remains high. The Group has strengthened the marketing as well as engineering support in these areas to capture more businesses.

The management has intended to increase our product quality to sustain our competitive advantage and enhanced production efficiency by streamlining production processes in order to compensate the decrease in profit margin.

The management has also taken necessary cost control measure to effectively control the overheads and administrative costs.

New product development

The launch of the quality household products such as cordless sweepers has received good responses from the market and the Group continues to develop products in the coming year.

In view of the increasing trend of mobile device usage, the Group will focus upon the development of more compact switching mode adaptor in response to the market need.

Liquidity and financial resources

The Group financed its operation with internally generated cash flow, banking facilities, private placement and medium term loan facility from an independent third party.

As at 30th April, 2005, the Group had bank and other borrowings and obligations under finance lease of approximately HK$26,685,000 and deficiency in assets of approximately HK$8,991,000.

The Group's current ratio (currents assets over current liabilities) was 66% (2004: 93%) and the gearing ratio (total interest-bearing borrowings over shareholders' funds) for 2004 was 132%.

Fixed deposits of HK$420,000 (2004: HK$3,031,000) were pledged to secure borrowing 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 State dollars, the Group's exposure to exchange rate fluctuations is minimal.

During the year, the Group breached certain covenants of a bank facility agreement. On discovery of the breach, the directors commenced a negotiation of the terms with the lender. Subsequent to the balance sheet date, the banking facility had been terminated and loan facility granted by an independent third party is currently used to finance the Group's working capital requirement.

Employees and remuneration policies

As at 30th April, 2005, the Group employed approximately 800 employees and workers in both Hong Kong and Mainland China. 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, 2005, the Company provided guarantees amounting to approximately HK$2,877,000 (2004: HK$19,524,000) to bank in respect of the banking facilities and finance lease arrangements granted to subsidiaries.