FINANCIAL REVIEW

BUSINESS REVIEW

Financial

During the year ended 31 December 2002, the turnover of the Group amounted to HK$256 million, representing a 18.6% increase as compared with the year 2001. Net profit attributable to shareholders for the year was HK$23 million representing a 23.5% decrease, as compared with the year 2001.

Operation

The Group maintains its core manufacturing activities in the electronic products, electrical accessories and ironware parts.

a. *Electronic products*

The turnover of this sector has been improved, mainly due to the increase in the sales of satellite TV receivers to Australia and Middle East.

b. *Electrical accessories*

The 2 main products, IMD and Aluminium products play a leading role in the market. In the past years, we have familiarised the techniques in manufacturing these two products and are well accepted by the customers. The sales for the IMD products during the year have gained 3 times over last year. The Aluminium products has contributed about one-third of the total sales in this sector, having 20% growth in comparing with last year.

c. *Ironware parts*

Sales of these products in Fujian Province is nearly saturated with a fair margin but offering stable return to the Group. Further growth of this products will rely on our new Shenzhen factory.

Although sales have been improved in our different operation sectors, the average profit margin of the products has been dropped because of the keen competition in the market. We plan to increase our market share which will enhance our Group's long-term survival in the market.

The optic fibres business of the Group is still in its investment stage. Owing to the volatile optic fibres market condition, the operation is suffering from loss during the year. We believe that elimination of competitors in the optic fibres business is now carrying on all over the world and the Group is utilising this opportunity to solicit the strategic customers including China Mobile, China TV Broadcast and Chinese Military and has obtained their specific approval licences. Although the market is still sluggish during the period, we wishes the worldwide market will turn around in the near future. Once the market has improved, we believe that this operation unit will turn to profit situation.

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The extension of operation from Fujian Province to Guangdong Province has been formally established during the year. With investment amount over HK$28 million, the Shenzhen factory, located in Xixiang Town, Shenzhen has been completed its development and trial running of the factory has been started. Despite that the factory experienced a mild loss for the first few months' operation, our Group based on its expertise in the industry, has successfully solicited a number of prestige customers including Samsung, Sony and Sanyo, which have become the major customers of the factory. From the first few months' operation in the year of 2003 and with the sales orders on hand, Shenzhen factory will provide an encouraging result in the coming years. During the year, our Group continues to develop trading activities in Australia. Accompanied with the economic growth in Australia, and the popularised of "Made in China" electrical appliances, we expect our trade in Australian market will have steady growth.

Liquidity and financial resources

Our Group has completed its development plan in its factory in Shenzhen with an investment over HK$28 million during the year. Our Group generally financed its development and operations with internally generated cash flow and other banking facilities granted by its principal bankers.

As at 31 December 2002, it has cash and bank balances of HK$37,270,000 (2001: HK$62,396,000), of which more than 90 per cent were denominated in Hong Kong dollars and RMB. Our Group carries on its trading activities mainly in Hong Kong dollars and RMB. As the exchange rates of RMB against Hong Kong dollar were relatively stable, the Group was not exposed to any material exchange rate fluctuation.

As at 31 December 2002, the gearing ratio (total debt/total asset of the Group) was 0.48 (2001: 0.48).

Employee

As at 31 December 2002, the Group had 1,638 employee. The Group provides competitive remuneration packages to employee commensurable to the level and market trend of pay in the business in which the Group operates, with mandatory provident fund schemes and share option scheme.

Capital structure

All of the Company's shares are ordinary shares. Other than the non-current portion of bank loans of HK$6.9 million, the Group's borrowings are repayable within one year as at the balance sheet date.

Charges on group assets

The Company's properties at Room 1201-03, 12/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong and 7C Sea Bright Plaza, 9-23 Shell Street, North Point, Hong Kong were pledged as a first legal charge to banks for securing certain of the banking facilities for the Group's operation.

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Contingent liabilities

At the balance sheet date, the Company had contingent liabilities in respect of corporate guarantees given to banks in connection with facilities granted to certain subsidiaries and an associate, which were utilised to the extent of HK$5.3 million (2001: HK$8.4 million).

Save as disclosed above, neither the Group nor the Company had any significant contingent liabilities at the balance sheet dates.