

Financial Review

FINANCIAL STATUS

During the financial year, the turnover of the Group amounted to HK\$216 million, representing a 40% drop from the same period last year. Net profit attributable to shareholders was HK\$30 million for the year ended 31st December 2001, compared with a profit of HK\$63 million a year ago.



COMMENT ON SEGMENTAL INFORMATION

1. Electronic products

The total turnover of this sector decreased by about 59%. Such decrease was mainly due to the keen competition in electronic components and reducing sales to customers for those with unstable financial position.

The market of electronic products is expected to be recovered in the coming year, the performance will continue to improve, and a substantial growth in turnover is anticipated.

2. Electrical accessories

The total turnover of this product decreased by about 44%, as a result of the global economic recession especially for the market for household appliances.

Improvements in technology with the heavy research and development will uplift our products to the higher range of market. We expect that the performance of this segment will improve in 2002.

3. Ironware products

The total turnover decreased by about 44%, as the same in Electrical accessories section.



In order to cater for the expected increase in demand and to enjoy further benefits from economies of scale, new machines and production line were purchased and installed after the year end, we strive to increase market share, improve its gross margins and strengthen its business through further development of more innovative valued added services.

4. Trading of electrical appliances

There was a newly set up business with an experience trader in Australia. With the accumulated experiences in the market of the household appliance, we expect that the turnover would have an remarkable growth in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group generally financed its operations with internally generated cash flow and other banking facilities by its principal bankers. As at 31st December 2001, it had cash and bank balances of approximately 62,396,000 (31st December 2000: HK\$76,936,000), of which more than 90 per cent were denominated in Hong Kong dollars and Reminbi. As the exchange rates of Reminbi against Hong Kong dollar were relatively stable during the year, the Group was not exposed to any material exchange rate fluctuation.

As at 31st December 2001, the gearing ratio (total debt/total asset of the Group) was 0.47 (2000: 0.44).

EMPLOYEE

As at 31st December 2001, the Group had 1,212 employees. The Group provides competitive remuneration packages to employees 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 the Company's shares are ordinary shares and the Group's borrowings are secured bank loans which are repayable within one year as at the balance sheet date.

CHARGES ON GROUP ASSETS

The Group's leasehold land and buildings at 7C Sea Bright Plaza, 9-23 Shell Street, North Point, Hong Kong was pledged as a first legal charge to a bank for securing certain of the banking facilities for the Group's operation.

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 to the extent of HK\$18 million (2000: Nil). As at 31st December 2001, the bank facilities as mentioned above were utilized to the extent of approximately HK\$8 million.

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