

MANAGEMENT DISCUSSION AND ANALYSIS

(Amounts expressed in Hong Kong dollars)

FINANCIAL REVIEW

For the year ended 31st December, 2001, the Group's turnover, profit attributable to shareholders and earnings per share amounted to approximately \$164 million, \$22 million and 7.6 cents respectively. These represented decreases of 32%, 48% and 56% respectively compared to year 2000. Weak demand in networking, telecommunication and power conversion continues to affect worldwide business, especially in North America and Europe.

The US and European markets contributed about 51% and 41% respectively of the Group's turnover, playing a consistent and dominant role in the Group's overall sales performance. Over 50% of the Group's turnover was derived from the sale of magnetic to the telecommunication industry. With the slowdown of telecommunication industry in Europe, which is one of the main markets of the Group, the Group's turnover and profit was adversely affected.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2001, the Group had a total shareholder's equity of approximately \$206 million (2000: \$142 million), and cash and cash equivalents of approximately \$81 million (2000: \$22 million), which were predominately denominated in Hong Kong dollars and US dollars.

As at 31st December, 2001, the Group had bills payable of approximately \$0.1 million (2000: \$0.1 million). The Group had little exposure to foreign exchange fluctuations as most of its receipts and payments are in US dollars.

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2001, the Group employed approximately 1,230 personnel around the world, with approximately 110 in Hong Kong, 1,100 in the PRC and 20 overseas. The Group has a staff education sponsorship program and also provides training courses to staff on operational system, product and technology development, and product safety.

CONTINGENT LIABILITIES

As at 31st December, 2001, there is bank guarantee in lieu of utility deposits of approximately \$0.1 million (2000: \$0.1 million).