

CHAIRMAN'S STATEMENT

Business Review and Prospect**Business Review**

The Group's business performed satisfactorily in the first half of the year. However, the 911 incident seriously affected the economy recovery. As a result, turnover for the year ended 31st March 2002 dropped to HK\$395,882,353 (2001: HK\$555,345,416) representing a decrease of 29% compared to the same period in previous year. Operating result recorded a loss of HK\$20,668,689 before taxation (2001: profit of HK\$10,285,938) after taking into account provision for slow moving and obsolete inventories, and bad and doubtful debts written off totalling HK\$17.8 million (2001: HK\$11.3 million).

The PCB business which accounted for 77% of the Group's turnover performed satisfactorily in the first half of the year. The slowdown of economy in the second half of the year affected the business performance significantly.

The electronics business performed unsatisfactorily due to the gloomy electronic consumer market. Both the turnover and result decreased compared to the corresponding period.

Loss before taxation was mainly due to the provision of slow moving and obsolete electronic parts amounting to HK\$4.7 million and long overdue debts amounting to HK\$13.2 million.

Prospect

The coming year would also be a difficult year. The Board will continue to adopt the prudent strategy in business development in order to capture more opportunities in future time.

Number and remuneration of employees, remuneration policies, bonus and share option schemes

As at 31st March 2002, approximately 2,329 staff and workers were employed in our Chang An Factory and Feng Gang Factory and approximately 47 staff were employed in the Group's Hong Kong Office. Employees' costs, excluding directors' remuneration, amounted to HK\$41.7 million for the year ended 31st March 2002 (2001: HK\$45.9 million). Remuneration packages are generally structured with reference to the prevailing market practice and individual qualifications. The remuneration policies of the Group are normally reviewed on a periodic basis.

The Group maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to provide employees with an appropriate incentive interests in the growth of the Group.

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Exposure to fluctuations in exchange rates and related hedges

The Group's borrowings are primarily denominated in Hong Kong dollars, US dollars and RMB. The Group has no significant exposure to foreign exchange fluctuations.

Liquidity and financial condition

At 31st March 2002, the total borrowings of the Group, including obligations under finance leases, amounted to HK\$101.5 million (2001: HK\$93.5 million) which were payable in Hong Kong dollars and RMB. The Group's gearing ratio at 31st March 2002, which is calculated as the ratio of all bank borrowings and long term liabilities to shareholders' funds, was 51% (2001: 42%).

Of the Group's total borrowings, approximately HK\$76 million (75%) would be due within one year, approximately HK\$17.5 million (17%) would be due in more than one year but not exceeding two years, approximately HK\$7 million (7%) would be due in more than two years but not exceeding five years and the remaining balance of approximately HK\$1 million (1%) would be due in more than five years.

At 31st March 2002, the total banking facilities granted to the Group amounted to HK\$90.5 million (2001: HK\$79.4 million) of which HK\$49.9 million (2001: HK\$50.3 million) were utilised. These facilities are secured by:

- (a) corporate guarantee issued by the Company;
- (b) cross corporate guarantees issued by certain companies within the Group;
- (c) a legal charge on the leasehold land and buildings with a net book value of HK\$33 million (2001: HK\$35 million) and prepayment of HK\$5.6 million (2001: nil) for a purchase of a leasehold land and building of which the development is in progress.

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Contingent liabilities

Since the year ended 31st March 2001, an investigation has been undertaken by the PRC customs authorities on a factory plant of a subsidiary in Dongguan in relation to a suspected under-declaration of customs duty by this factory. For the year ended 31st March 2002, amounts totalling HK\$1 million (2001: HK\$2.3 million) have been paid to the relevant authorities as a result of this investigation. The final result of this investigation is still unknown as at the date of approval of the accounts of the Company. The directors have not made any further provision in the consolidated accounts at this stage as in their opinion, there is unlikely to be any further liability arising from this investigation which would have a material effect on the Group's financial position or results of operations.

On behalf of the Board

Yip Sum Yin

Chairman

Hong Kong, 23rd July 2002