

GROUP RESULTS

Turnover of the Group dropped to HK\$426,300,000 for the year under review, representing a decrease of HK\$90,000,000 or 17.4%.

The effect of disposal of the Group's subsidiary in Australia and deconsolidation of a joint venture in Shanghai in 2001 contributed to HK\$68,600,000 in drop of turnover.



The Group reported a profit of HK\$25,100,000 for the year ended 31 December 2002 as compared to a loss of HK\$62,700,000 for the year ended 31 December 2001.

FINANCIAL REVIEW



Liquidity and financial resources

As at 31 December 2002, the Group's gearing ratio (total borrowings divided by equity) has increased to 0.50 (2001: 0.09) whereas current ratio (current assets divided by current liabilities) has improved to 4.20 (2001: 2.60).

Bank loans had increased by approximately HK\$17,000,000 to HK\$60,000,000 as at 31 December 2002. As at 31 December 2002, the Group had outstanding convertible bonds with an aggregate amount of HK\$200,000,000, bearing interest at a fixed rate of 2.5% per annum. The Group's borrowings are mostly denominated in Hong Kong dollars.

After taking into account the existing cash resources and unutilised banking facilities, the directors are of the opinion that the Group will maintain an adequate liquidity position throughout the financial year ending 31 December 2003.

Capital structure

There were no movements in the ordinary share capital of the Company during the year.

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Contingent liabilities

The contingent liabilities of the Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, decreased from HK\$104,800,000 as at 31 December 2001 to HK\$83,200,000 as at 31 December 2002.

Pledge of assets

As at 31 December 2002, certain of the Group's assets with an aggregate net book value of HK\$63,600,000 (2001: HK\$47,100,000) were pledged to secure general banking facilities granted to the Group.

BUSINESS REVIEW

Though general economy and consumer confidence was weak in 2002, the Group had implemented cost reduction measures to achieve a turnaround in its financial results. The Group's long term investment on printed circuit board factory in Tianjin continued to show satisfactory profit growth. Based on the improvement of financial results and asset valuation of the long term investment, the Group has decided to write back the impairment provision on this investment.



Telephone accessories and power cords

Sales has increased on the back of expansion in sales of new power cord products. The division reported a profit in 2002 reflecting strengthened cost and stock control measures implemented since last year.

Adaptors and electronic products

The division has recently completed its restructuring. Despite a substantial drop in turnover, the division was able to generate a profit in the year under review. Performance of the division will further be improved as sales order is increasing.

Printed circuit boards

The disposal of a jointly controlled entity in Shanghai which was operating at a loss was completed in December 2002.

Business of the Dongguan factory remained stable. Having enhanced control on the production cost and operation efficiency, the factory has further improved its profit in the year under review.

High precision metal parts

Turnover of the division rose by 28% and the division reported a profit. The division will continue to expand its customer base on non-computer products for business growth.

Freight forwarding and delivery services



Local warehousing and freight forwarding business was operating at a difficult economic environment and marketing condition.

The Group has disposed of its warehouse business to an independent third party at HK\$2,400,000 and discontinued its freight forwarding and delivery services business since January 2003.

Jointly controlled entity – Copper wire

With flexible pricing policy, the jointly controlled entity has successfully maintained its leading position in the supply of copper wire for computer cords in the Pearl River Delta Region. A growth both in turnover and profit was achieved.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2002, the total number of employees in the Group was 3,959.

The remuneration policies of the Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that take into account local practices in the various geographical locations in which the Group and its associates operate. These remuneration packages include basic salaries, allowances, retirement schemes, service bonuses, fixed

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bonuses, performance related payments and share options where appropriate.

BUSINESS OUTLOOK

Besides enhanced controls on the manufacturing cost of all divisions on a timely basis, the Group will emphasise on control in production yield rate and operation efficiency to improve its gross profit margin.

The Group is currently reviewing investment opportunities which are in line with the existing development strategy of the Group with an aim to strengthen the quality of its investment portfolio and to improve the operational efficiency and the overall financial performance of the Group. The cash holding of the Group at the balance sheet date provides adequate financial resources for the Group to fund its investment opportunities.

Based on the work accomplished during the year and the positive business trend from the latest development of the Group, the Board is optimistic about the performance of the Group in the forthcoming year.

By Order of the Board

Cao Zhong

Chairman

Hong Kong, 16 April 2003