

DISTRIBUTION OF ELECTRONIC COMPONENTS

Among different types of consumer electronics, digital camera, portable DVD player and TFT-LCD monitor have shown the most substantial growth. The digital camera and portable DVD player solutions targeting mainland customers under cooperation between the Company and the relevant developers were completed in the past year. The relevant results have been reflected in the results this year. In view of the strong sales growth of TFT-LCD monitors attributable to their popularity and extensive application, the Company entered into cooperation with a number of leading suppliers regarding the provision of TFT-LCD monitor solutions. Such collaboration has yielded remarkable results.



On the computer product front, the increasing popularity of the Internet and multi-media applications has broadened the use of computers. With the booming development of the personal computer market, the Group recorded a growth in the sales of memory products, while the sales of other peripherals remained steady.

As a result of an increasingly extensive coverage of electronic communication infrastructure, our living environment is becoming more and more digitalised with the emergence of devices for various applications from electronic communications and digital transmission to video conferencing and multi-media playback. The Company will closely monitor the latest developments of such electronic communication products. It will continue to invest human and other resources for the research and development in this regard in preparation for its future plans. On another front, the PRC is the largest mobile phone market with the highest speed of development. In view of the presently low penetration rate and the prevailing trend for mobile phones, the market is expected to see a sustained growth at an exponential rate. As such, the Company launched a series of mobile phone components in line with its

extensive product market, including base band chipsets from Agere, JPEG decoders from CoreLogic as well as connectors from Foxconn.



With an increasing number of plants establishing in the PRC, more purchases were shifted to the PRC. As a result, the PRC market experienced substantial growth against a sluggish global economy.

Capitalising on such opportunities, the Company strived to diversify its product lines and enhance its service quality, such as providing turnkey solutions to meet the different needs of customers.

Management Discussion and Analysis

In the last year, the Company entered into cooperation with Hon Hai Group, which further boosted the Company's results. The extensive range of application of Hon Hai's connector components and the relevant sales and product support strategies of the Company have combined to result in the a substantial growth in the global EMS customer base.



With an aim of enhancing its service quality in different regions and improving its research and development capabilities, the Group made three major investments in the past year. These investment projects were HAS Electronic Company Limited which is principally engaged in the passive component market, SMartech Electronic Company Limited which is engaged in the sales of advanced electronic components, and Now Electron Inc of our Korean branch which is engaged in the research and development of advanced technology for the Korean market.



DISTRIBUTION OF SPORTS EQUIPMENT

In a year of difficult economic and poor retail conditions, our sports group achieved a superb performance with 18% growth in profit. The number of dealers had increased from 200 to 450. With the continuous growth of the PRC retail market, the company expert an excellence performance in year 2003.

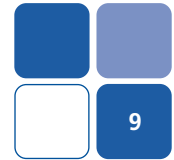
LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, net cash inflow generated from operating activities amounted to HK\$15,483,000 comparing to HK\$3,824,000 of last year. Total bank and other borrowings including bank loans, import loans, overdraft and other loan amounted to HK\$233,618,000 as at 31st December 2002 which is lower than

HK\$236,642,000 of 2001 by 1.28%. The gearing ratio based on total bank borrowings to total shareholders' funds was 0.82 by comparison with that of 0.86 last year.



Whilst the sales of the Group is mainly denominated in Hong Kong dollars and US dollars, the Group's exposure to foreign exchange risk is minimal.



EMPLOYEES

As at 31st December 2002, the Group had a total number of employees of approximately 280. The Group fully recognized the importance of its employees and the role they play. The Group endeavored to ensure job satisfaction and career growth to each of the employees. It is a Group policy to encourage continuous education for the employees by providing sponsorship.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers accounted for approximately 60.29% of the total purchases and the largest supplier accounted for approximately 23.27% of our total purchases. The aggregate turnover during the year attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

As at 31st December 2002, Hon Hai Precision Industry Company Limited., a shareholder holding more than 5% of the Company's share capital, had a beneficial interest in one of the Group's five largest suppliers.