

## FINANCIAL REVIEW

For the year ended 31 December 2002, the Group's turnover was approximately HK\$115 million, which represented a decrease of 30% from that of last year. Under continuing difficult market conditions, the Group recorded a loss attributable to shareholders and loss per share of approximately HK\$4.5 million and HK1.4 cents respectively as compared to corresponding profit of approximately HK\$22 million and HK\$7.6 cents respectively of last year. Product prices remained under pressure as a result of continuing poor market sentiment and keen competition in the market, leading to a drop of gross profit margin from 38% in 2001 to 29% in 2002.

The US and European markets contributed about 59% and 30% respectively of the Group's turnover, playing a consistent and dominant role in the Group's overall sales performance. Weak demand in networking, telecommunication and power conversion continues to affect worldwide business, especially in North America and Europe which are the Group's major markets. The Group's performance was therefore significantly affected.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2002, the Group had a total shareholders' equity of approximately HK\$178 million (2001: HK\$206 million), and cash and cash equivalents of approximately HK\$65 million (2001: HK\$81 million), which were predominately denominated in US dollars, Euro and Hong Kong dollars. However, there was an increase in accounts payable from approximately HK\$3 million as at 31 December 2001 to approximately HK\$8 million as at 31 December 2002 mainly as a result of extended credit period from some trade suppliers, from 30 days to 60 or 90 days due to long-established relationships.

As at 31 December 2002, the Group had withdrawn all its banking facilities. With the above cash on hand, the Group has adequate resources to meet its working capital needs in the near future.

As at 31 December 2002, the Group had no borrowings (2001: bills payable of approximately HK\$0.1 million). As a result, no gearing ratio was calculated.

The Group had little exposure to foreign exchange fluctuations as most of its receipts and payments are in US dollars.

# MANAGEMENT DISCUSSION & ANALYSIS

---

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2002, the Group employed approximately 1,320 personnel around the world, with approximately 100 in Hong Kong, 1,200 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

The Group had no contingent liability as at 31 December 2002 (2001: HK\$0.1 million bank guarantee in lieu of utility deposits).

## CAPITAL COMMITMENTS

The Group had authorised and contracted capital commitments of less than HK\$0.1 million as at 31 December 2002 (2001: HK\$0.5 million). The Group has adequate resources to fund its commitments from its existing cash resources.

## UPDATED INFORMATION ON PUBLIC SHAREHOLDING AND ONBOARD LITIGATION

Trading in the shares of the Company has been suspended since 15 August 2002 due to the public float issue of the Company and the litigation of the Company's substantial shareholder, Onboard Technology Limited. Details of which have been published by the Company's announcement dated 25 April 2003.