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The following sets out the financial highlights for the year ended 31st March 2003, with the comparative figures for the corresponding period in 2002.

	2003 HK$'million	2002 HK$'million	Change HK$'million	Change %
Turnover	**321**	366	45	12%
Earning before interest, taxation and depreciation	**22**	14	8	57%
Depreciation and loss on disposal of fixed assets	**(18)**	(18)	0	0%
Net interest income	**—**	2	2	NA
Adjusted operating profit (loss)	**4**	(2)	6	NA
Share of results of associates and impairment losses recognised in respect of interest in associates	**(2)**	(7)	5	71%
Other non-operating items	**(18)**	(6)	12	200%
Loss before taxation	**(16)**	(15)	1	7%
Taxation and minority interests	**(2)**	—	2	N/A
Net loss for the year	**(18)**	(15)	3	20%
Dividends	**45**	45	0	0%

GROUP OVERVIEW

- The Group's turnover and net loss for the year amounted to HK$321 million and HK$18 million respectively.
- The Group's earning before interest, taxation and depreciation ("EBITDA") for the year amounted to HK$22 million, an increase of HK$8 million or 57%, against the decrease in turnover by HK$45 million or 12%.
- Consistent with the increase in EBITDA, the Group's adjusted operating profit ("earning before loss contributed from associates, other non-operating items, taxation and minority interests") also increased to HK$4 million in current year, up by HK$6 million, against the decrease in turnover.
- During the year, the directors of the Company decided to strategically cease the manufacturing operations of our battery businesses. Accordingly, the non-operating items of HK$18 million (relating to the write off of fixed assets, inventories, debtors and prepayments and provision for restructuring expenses) had been recorded by the Group for the year. As at 31st March 2003, the Group's net asset value in respect of battery operation was HK$1.5 million.
- The Group's financial position remained liquid. As at 31st March 2003, cash and bank balances amounted to HK$59 million with certain trade loans amounting to HK$11 million (net cash of HK$48 million), while, as at 31st March 2003, the Group's net asset value was HK$191 million with a healthy current ratio of 355%.
- The directors of the Company resolved to declare a final dividend for the year ended 31st March 2003 of HK$0.04 per share that will be distributed to our shareholders on or before 30th September 2003.

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BUSINESS REVIEW AND PROSPECTS

Voltage Converter and Rechargeable Battery Business Segments

The financial performance of the voltage converter and rechargeable battery business segments fared equally without sparkle as that of last year, mainly due to the following:

- Substantial drop in worldwide demand for traditional linear adaptors;
- Pressure from customers to reduce prices across the board;
- Change in the ordering pattern of customers;
- Sluggish recovery of the world economy in the wake of the Iraqi crisis; and
- Initial learning-curve issues associated with diversification of customer base and expansion of product range.

The Group's existing core businesses have faced tremendous pressure from customers worldwide to reduce prices across the board due to a general slow down in sales orders and the continued down-ward slump in global demand for mobile phone and other electrical/electronic products. The global trend of how customers place orders had shifted from a 3 to 6 months rolling forecast to on a "just in time" basis. This had changed our customer ordering pattern and exerted significant pressure for the Group in production and materials requisition planning. As a result, as your management had foreseen, the Group's performance for this year had been adversely affected and is likely to continue in the near to medium term.

Your management's focus is on rebuilding the profitability of the business through a series of important measures, some of which have already been started and helped the Group improve its financial performance. These are:

- Established long-range cost-cutting and financial control measures
- Closed the R&D Centre and Representative Office in Shanghai, and consolidated the actitivities at our Shenzhen facilities
- Strategically ceased the manufacturing operations of our battery business in Shanghai while focusing only on the battery trading activities

Your management is confident that such measures and controls will continue to help the Group stem the worsening impact from negative global market conditions.

We have stream-lined our manufacturing facilities in the PRC and have begun to shift our business focus from an OEM manufacturer of traditional linear adaptors to a provider of electronic/electrical manufacturing services ("EMS"). As the term suggests, an EMS provider has a wide variety of engineering and manufacturing capabilities that can offer a one-stop complete package to customers, e.g. from design through to production, assembly, quality control, packaging and shipping services. The Group's facilities in the PRC are equipped with state-of-the-art design, production, quality control, and R&D technology, machinery and equipment. Our production operations are also capable of multiple functions within the manufacturing process e.g. tooling, moulding, plastic injection, and coil winding, that can enable customers to have all components of their electronic/electrical appliance or product literally created under one roof. Your management is confident that the shift in business focus is the right move forward into the new millennium. Our major customers in the electronics and communications industries continue to merge, consolidate or restructure to drastically reduce cost. They, therefore, now demand a lower-cost, value-for-money alternative to multiple subcontracting, as was the industry practice previously. Electronics giants have completely out-sourced their manufacturing to single EMS providers. We believe that this is the market trend and the process of our own internal change is expected to be completed within the next year or so.

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Investment in Climax International Company Limited ("Climax")

Regarding our equity interest in Climax which we had written off completely in 1998, there was no impact on the Group from Climax's results.

As previously reported, our shareholding interest in Climax had been diluted to below 2%. Your management continues to vigilantly monitor market and other opportunities for further disposals of our remaining Climax shares to create value for our shareholders.

The Year Ahead

- We will continue to focus on cash flow generation through our new business strategy and optimize our resources through the prudent management of our assets and the enforcement of stringent financial control measures.
- Barring unforeseen circumstances, we remain optimistic that the Group will steadily revert to profitability for the long term once global market conditions begin to improve.
- We will actively consider the interests of all our shareholders, recognizing that business conditions have been difficult for them over the last few years. As such, we will take the opportunity of acting to their advantage whenever circumstances arise, including without limitation, disposals, acquisitions, dividends and any other methods of supporting shareholder's value.

LIQUIDITY AND CAPITAL RESOURCES

The Group follows a policy of prudence in managing its cash balance, and maintains a high level of liquidity to ensure the Group is well placed to take advantage of growth opportunities for the business. As at 31st March 2003, cash and bank balances amounted to HK$59 million with certain trade debt amounting to HK$ 11 million (net cash of HK$48 million), while the Group's net asset value as at 31st March 2003 was HK$191 million.

The working capital position of the Group remained healthy. As at 31st March 2003, the current ratio (ratio of current assets to current liabilities) had been improved to 355% (2002: 329%).

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure. At this stage, however, with continuing strong cash flows, there are no immediate requirements for significant debt finance. Management is comfortable that existing financial resources will be sufficient for future expansion plans. Should other opportunities arise requiring additional funding, management also believes that the Group is in a good position to obtain financing on favorable terms.

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The net cash (debt) position as at 31st March 2003 and corresponding gearing ratio are shown as follows:-

	2003
	HK$' million
Cash	59
Less: trade debt	(11)
Net cash (debt) position	48
Shareholders' funds	191
Trade debt to shareholders' funds	5.8%
Net debt to shareholders' funds	—

Cash Flow from Operating Activities

The Group's main source of liquidity continued to be the net cash from operating activities. With the continuous implementation of prudent cash control measures, cash generated from operating activities was HK$21 million, though the Group reported a net loss for the year of HK$18 million. The reconciliation of loss before taxation to net cash inflow from operating activities is shown as follows:-

	HK$' million
Loss before taxation	(16)
Other non-operating items as a result of restructuring the rechargeable battery business	18
Depreciation and loss on disposal of fixed assets	18
Share of results of associates and impairment losses recognised in respect of interest in associates	2
Other items	(1)
Net cash inflow from operating activities	21

Cash Flow from Financing Activities

The net cash used in financing activities for the year was amounted to HK$14 million, which mainly included a dividend payment of HK$22 million and a repayment of other borrowings of HK$2 million (details of the arrangement are set out in note 35(c)), setting off with the net cash inflow from trade loans of HK$10 million.

The dividend payment of HK$22 million represented a payment of current year's interim dividend of HK$0.04 per share.

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Capital Expenditure and Corporate Activities

The Group had made a capex investment of HK$9 million in the current year. This was mainly financed by the cash internally generated from the operations. With the capital expenditure, the Group would be able to further increase its production capacity, improve quality and expand product variety, which will lay the foundation for the Group's future development.

During the year, the Group decided to cease manufacturing operation for the rechargeable battery business. Accordingly, the non-operating items of HK$18 million (relating to the write off of fixed assets of HK$7 million, write off of inventories of HK$8 million, write off of debtors and prepayments of HK$4 million, provision for restructuring expenses of HK$2 million, setting off with the gain on partial disposal of a subsidiary of HK$3 million) had been recorded by the Group for the year. As at 31st March 2003, the Group's net asset value in respect of battery operation was HK$1.5 million. It is the intention of the Group to strategically cease the battery manufacturing operation but continue with battery trading activities after the restructuring exercise.

Subsequent to 31st March 2003, the Group entered into agreements to dispose all of the Group's interests in associates for an aggregate consideration of HK$3.5 million to the other shareholders of such associates. The disposal transaction was completed on 30th June 2003.

Treasury Management

On 31st March 2003, the Group had a sufficient level of banking facilities from our major bankers with a view to finance the working capital requirements. For exchange risk management, the Group will adopt cautious financial measures to manage and minimize the exchange risk exposure, and in this regard, the Group will normally match the currencies of sales with those of purchase in order to neutralize the effect of currency exposure. Furthermore, the Group will also take appropriate financial actions to ensure that the Group borrowings will be primarily denominated in Hong Kong dollars, while the non-Hong Kong dollar loans will be either directly tied in with the Group's businesses in the countries of the currencies concerned or such loans will be balanced by assets in the same currencies.

Major Customers

For the year under review, sales to the largest customer and the five major customers accounted for 11% and 47%, respectively, of total sales for the year.

As far as the directors are aware, neither the directors or their associates nor any shareholders or parties acting in concert with them, own more than 5% of the Company's total issued share capital, or had any interest in contracts with any Group's various customers mentioned above.

Employees

On 31st March 2003, the Group employed 539 executive and clerical staff and 1,736 factory workers. The remuneration of such staff and workers are determined by overall guidelines within each industry. The Group has also adopted a discretionary bonus program, share option scheme, medical insurance and personal accident insurance for its various categories of employees. Awards under such programs, are determined annually based on the performance of the Group as a whole and the careful assessment of each employee individually.