

REVENUE AND OPERATING RESULTS

The Group's performance in 2003 as a whole demonstrated a marked improvement with revenue going up to HK\$2,000,425,000, representing 43.10% over the same period last year and net profits increasing by 2 times to HK\$87,819,000. During the period under review, revenue from the laser scanner EMS business and sales of electric fans reached HK\$201,029,000 and HK\$743,464,000 respectively, representing increases of 53% and 20% respectively over the same period in 2002. Overall margin was improved through an effective and extensive cost reduction program.

FINANCIAL AND LIQUIDITY RESOURCES

The Group continued to maintain its financial and liquidity resources in healthy condition. With centralized funding policy in place for all its operations at the corporate level, the Group was able to maintain its treasury function to make efficient allocation of its financial resources and keep down the average cost of fund. The Group consistently maintained a stable liquidity position throughout 2003. In addition, there was no material change in the timing orders were secured which might give rise to volatility of the sales.

There were no material changes to the Group's available banking facilities since 31st December, 2002. Other than a term loan charged at fixed interest rate and secured by certain assets of the Group located in the United States, all banking facilities of the Group were arranged on short-term basis and subject to floating interest rates. This U.S. term loan would become mature by 20th October, 2004.

FOREIGN EXCHANGE EXPOSURE

The Group's major borrowings were in Hong Kong Dollars and US Dollars. The Group continued to conduct its sales mainly in US Dollars and make payments either in US Dollars or Hong Kong Dollars. So far as the Hong Kong Dollar was pegged to the US Dollar, the Group considered that it had no significant exposure to foreign exchange risk.

GEARING RATIO

The Group has put in place its policy of maintaining a prudent gearing ratio. As at 31st December, 2003, the Group recorded a gearing ratio, expressed as a percentage of total liabilities to shareholders' funds, of 36.53% (31st December, 2002 (restated): 34%). Total liabilities and shareholders' fund of the Group amounted to approximately HK\$718,040,000 and HK\$1,965,516,000 respectively (31st December, 2002 (restated): HK\$652,148,000 and HK\$1,920,674,000 respectively). It is worth noting that the Group's total liabilities included certain shareholder loans advanced to the Group's non-wholly owned subsidiary companies by their minority shareholders on a proportional basis, which amounted to approximately HK\$358,966,000 (31st December, 2002: HK\$348,403,000). If such shareholder loans advanced by minority shareholders were excluded, the gearing ratio of the Group would be no more than 18.30% (31st December, 2002: 16%).

Other than shareholder loans advanced by minority shareholders, the total liabilities include trade and other creditors totalling HK\$232,411,000 (31st December, 2002: HK\$176,715,000) and bank borrowings amounting to HK\$107,200,000 (31st December, 2002: HK\$112,484,000) and the Group's gearing ratio, expressed as a percentage of total bank borrowings to shareholders' funds, was 5.45% compared to 5.86% at 31st December, 2002.

CAPITAL EXPENDITURE

The Group has adequate financial resources to fund its capital expenditure commitments and working capital requirements through cash flows generated from its operations and banking facilities. The Group had a total capital expenditure amounting to HK\$120,537,000 in 2003.

SIGNIFICANT ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries and associated companies for the period under review. The Group has, however, entered into an agreement in March 2004 with an independent third party for the sale of its 70% equity interest in the steel processing and steel trading business. In addition, the Group has entered into both a share transfer agreement and a loan repayment agreement on 20th February, 2004 with Shunde City Heng Shun Communication Investment Management Corporation for the disposal of its 52% equity interest in Shunde Shunyue Highway Construction Limited, details of which are set out in the Circular distributed to the shareholders on 11th March, 2004.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no material capital commitments and contingent liabilities as at 31st December, 2003.

CHARGES ON ASSETS

There was no significant change in charges on assets of the Group compared to the position as at 31st December, 2002.

EMPLOYEES

Number of Employees

As at 31st December, 2003, the Group has approximately 1,770 employees. The pay levels of these employees are commensurate with their responsibilities, contribution and performance.

In addition to the above, the Group's co-operative joint venture companies in Mainland China provided employment to approximately 4,000 people.

Share Option Scheme

Pursuant to the Share Option Scheme (the "Scheme") which became effective in May 1994, options under the Scheme were offered to directors and the employees. No option was granted and none of the grantees exercised his/her options under the Scheme during the year of 2003.

Pursuant to the share option scheme which became effective in November 2002 of Appeon Corporation ("Appeon"), the subsidiary of the Company, certain directors, employees and consultants of Appeon were granted options totalling 63,000, 3,000 and 20,425 respectively and none of them exercised their options under this scheme during the year of 2003.

Pursuant to the share option scheme which became effective in November 2002 of Galactic Computing Corporation ("Galactic"), the wholly-owned subsidiary of the Company, certain directors and consultants of Galactic were granted options totalling 730,000 and 150,000 respectively and none of them exercised their options under this scheme during the year of 2003.