

**OPERATIONS AND FINANCIAL REVIEW**

For the year as a whole, the Group's turnover decreased by approximately HK\$49,387,000. It was due to the reduction of sales of household products that amounted to HK\$72,876,000, yet the reduction of sales was partly offset by the better sales performance of PVC pipes and fittings products which was increased by HK\$27,737,000 during the year. The U.S.A. household products market remained the single most important contributor to the Group's total revenue, accounting for 49% (2000: 51%) of the total Group revenue during the year ended 31 December 2001.

The reduction of sales of household products was mainly a result of the decrease in export sales to U.S.A., Asia, and Latin America and that amounted to approximately HK\$41 million, HK\$21 million and HK\$6 million respectively. In 2001, due to continuous strong demand in pipes and fittings for construction and cable usage in the People's Republic of China ("PRC"), sales of PVC pipes and fittings rose by 18% to HK\$179,840,000 (2000: HK\$152,103,000).

The gross profit of the Group was HK\$129,003,000 and the gross profit margin was 19.8% in year 2001 (2000: HK\$118,436,000 and 16.9% respectively). The Group operated under very fierce price competition for household products yet the unfavorable condition was offset by the improvement of profit margin of PVC pipes and fittings products during the year 2001.

**LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

Basically the Group's working capital requirement has been financed by its bank borrowings and internal generated funds. Total banking facility available to the Group as at 31 December 2001 amounted to HK\$480 million; of which HK\$169 million was utilized (utilization rate was at 35%). The Group's borrowings were mainly in Hong Kong Dollars and Renminbi. Overdraft and term loan facilities were granted to the Group at the normal market interest rates.

The Group conducts its business transactions in Hong Kong Dollars, Renminbi and US Dollars. It is normally unnecessary to make use of financial instruments for hedging purposes.

On 21 August 2001 the Company gave notice to the holder of the convertible redeemable note ("Note") for early redemption of the Note. The holder of the Note consented and the Note was redeemed on 22 September 2001.

About 42% of the Group's cash is in Renminbi and 58% percent is in either Hong Kong Dollars or US Dollars.

Total shareholders' funds of the Group as at 31 December 2001 increased by 4.6% to HK\$706,883,000 (2000: HK\$676,107,000). The total finance costs incurred in 2001 was HK\$8,250,000 (2000: HK\$12,154,000). The gearing ratio (total liabilities/total shareholders' funds) of the Group in 2001 was 0.36 (2000: 0.38).

### **CHARGES ON GROUP ASSETS**

Leasehold land and building, building under construction and investment properties total amounted to HK\$192 million were charged to various banks for general banking facilities for the Group.

### **INVESTMENT PROPERTIES AND TRADING SECURITIES**

The Group made a provision for diminution in value of investment properties amounting to HK2,434,000 during the year 2001 (2000: HK805,000).

The market value of the trading securities held by the group as at 31 December 2001 amounted to HK\$5,914,000. During the year 2001, the Group recorded dividend income totaling HK\$265,000 and an unrealized holding loss on the portfolio of HK\$2,157,000.

### **STAFF AND EMPLOYMENT**

By the year ended 31 December 2001, the Group employed a total workforce of about 4,220 (2000:4,500) including 220 permanent staff and 4,000 contracted staff in our factories located in the PRC. The total staff remuneration incurred in 2001 was HK\$77,089,000 (2000: HK\$75,568,000), which was increased by 2%. It is our Group policy to review employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive.

It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that are related to the Group's business. Tailor made internal training program are also provided to staff in our PRC factories.