

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL STRUCTURE

As at 31 March 2002, the Group had net current assets of HK\$53 million (31 March 2001: HK\$136 million) mainly comprising prepayments, deposits and other receivables of approximately HK\$4 million (31 March 2001: HK\$5 million), inventories of approximately HK\$58 million (31 March 2001: HK\$50 million) and trade receivables of approximately HK\$81 million (31 March 2001: HK\$78 million) and current liabilities of approximately HK\$157 million (31 March 2001: HK\$99 million). The current ratio decreased from approximately 2.4 as at 31 March 2001 to 1.3 as at 31 March 2002.

At 31 March 2002, the Group had total assets of approximately HK\$415 million (31 March 2001: HK\$337 million) and total liabilities of approximately HK\$165 million (31 March 2001: HK\$102 million). The gearing ratio calculated as a percentage of long term debt to equity was 2% (31 March 2001: 0.05%).

FINANCIAL RESOURCES

At 31 March 2002, the Group had floating interest-bearing bank borrowings of approximately HK\$20 million (31 March 2001 : HK\$9 million) and all of which are denominated in Hong Kong dollars. The Group's bank borrowings are all repayable within one year. At 31 March 2002, the Group's bank borrowings were secured by (i) first legal charges on certain of the Group's leasehold land and buildings and its investment property located in Hong Kong; (ii) a second legal charge on a property located in Hong Kong of a related company and (iii) a third legal charge on a property located in Hong Kong of a director.

As a significant portion of the Group's sales and purchases are denominated in Hong Kong dollars and Renminbi, in view of the stability of the exchange rate of Hong Kong dollars and Renminbi, the directors consider that the Group has no significant exposure to foreign exchange fluctuation. During the year, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 31 March 2002.

At 31 March 2002, cash and bank balance amounted to HK\$68 million, approximately HK\$14 million are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

CONTINGENT LIABILITY

The Group did not have any significant contingent liability at the balance sheet date.

MANAGEMENT DISCUSSION AND ANALYSIS

APPLICATION OF PROCEEDS OF NEW ISSUES

Upon the listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in October 2000, 78,000,000 new shares of HK\$0.10 per share were issued at a price of HK\$1.18 per new share. The successful issue of new shares raised net proceeds of approximately HK\$81,006,000 after deducting related expenses. During the year ended 31 March 2002, the net proceeds have been fully applied as follows:

- approximately \$8.5 million for the joint development programmes Samsung Techwin and Samjung Tech Co., Ltd.;
- approximately \$15 million for strengthening the Group’s product research and development capability;
- approximately \$10 million for the development and introduction of new production equipment based on lead-free solders and non-ODS solvents;
- approximately \$6.5 million for the development and introduction of new electronic and digital consumer products;
- approximately \$22 million for expanding the Group’s production facilities; and
- approximately \$19 million for general working capital of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2002, the Group employed approximately 3,800 full time employees of which approximately 3,750 were in the PRC and approximately 50 were in the Hong Kong office.

The Group remunerates its employees based on industry’s practice. In the PRC, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including pension scheme and performance related bonuses.