

Chairman's Statement



RESULTS

For the year ended 31 March 2002, the total sales of the Group amounted to about HK\$875 million, which was about 17.5% lower than the last year's figure. During the year, the sales of cable and wire products amounted to about HK\$543 million, which was about 16.2% lower than the sales of about HK\$649 million for the previous corresponding period. The sales of copper rod products during the year amounted to about HK\$271 million, which was a 26.5% decrease over the sales of about HK\$370 million for the previous corresponding period. In the contrary, the sales of connectors and terminals during the year

amounted to about HK\$59 million, which was 40.9% higher than the sales of about HK\$42 million for the previous corresponding period.

During the year ended 31 March 2002, a loss of more than about HK\$79 million was incurred by the Group. Upon writing off the one-off impairment loss on goodwill, impairment losses on interest in an associate and a jointly controlled entity and share of their respective results totaling about HK\$58 million, the loss attributable to shareholders for the year amounted to about HK\$21 million.

BUSINESS REVIEW

Since the Group's listing in 1996, the financial year ended 31 March 2002 was regarded as a year of unprecedented challenges and difficulties. Following the "September Tragedy" in the U.S. last year, almost all economic activities around the world were once dampened. The U.S. economy was dragged into a period of gradual consolidation, along with contraction in corporate profits and volatility in various economic indications; the Japanese economy remained stagnant cautious and the European economy was unable to regain any significant momentum. Generally, global economic downturn continued. Consequently, the Group's clients resorted to cautions and prudent policies in placing their orders. During the period under review, certain markets were adversely affected under uncertain operating environment, resulting in decreases in the Group's turnover and profits. However, our management had promptly reacted to, and hence had minimized the adverse effects of, unanticipated changes through appropriate adjustments.

*Chairman's Statement (Continued)***Cable and Wire Products**

During the year under review, the Group's core business of cable and wire products suffered from tough pressure in coping with keen competition from factory players and emerging counterparts in the territory and China. Externally, under global economic downturn, the electrical and electronic products were faced with severe downward pricing pressure from overseas clients who had sharply reduced their inventory levels and forward purchase orders in response to unfavourable economic environments in the U.S. and Europe. Shrinking consumer demand also triggered off even more fierce competition amongst cable and wire manufacturers for securing market shares. Internally, profit margins further decreased. This was due to increase in prices of raw materials such as PVC resin and chemical materials and lowering of selling prices of cable and wire products, which was an initiative adopted for maintaining the Group's competitive strengths. Nevertheless, great leaps were made in developing the Group's business in the eastern parts of China. Reasonable revenues were also generated from the Shanghai plant which recorded a stable growth in turnover and profits.

Copper Rod Products

Due to sharp economic downturn and sluggish sentiments, the clients in southern parts of China and in Hong Kong all cutdown or withheld their orders. Accordingly, sales for the year under review recorded a substantial fall of 26.5% from the figure of the previous corresponding period. Worse still, market competition was extremely tough. Yet, the brand Hua Yi had gained certain presence in the local copper rod market. The Group will devote further efforts in producing high quality products and providing the best delivery services.

Connectors and Terminals

The connectors and terminals manufacturing base in Malaysia reported an impressive result with a turnover growth of about HK\$17 million from the last year's figure. This was one example of proven success of the Group's product diversification. Though connectors and terminals did not account for a significant part of the Group's business, their weightings have been increasing on a year-to-year basis.

Contributions from Associated Companies/Jointly Controlled Entity

During the year under review, the associated companies of the Group included an optical fibre cable plant in Fuzhou and a number of innovative high-tech companies and/or Internet and application technology services companies. Upon accounting treatment during the year under review, the directors believe that these investments will not have any adverse impacts on the Group's financial resources and results.

Chairman's Statement *(Continued)*

During the year under review, the mono-glycerides refinery plant was put into trial commission in early 2002 as planned. This plant produces high purity mono-glycerides by using molecular distillation method. The products are mainly applied as additives to plastics, cosmetics, food and daily products. Their functions are to enhance product texture up to prestigious standard. Application of these additives in China is now far lagging behind that in the U.S., Japan and some European countries. The investment is expected to yield long-term contributions for the Group.

PROSPECTS

The directors believe that export markets for the Group's products are heading towards economic recovery but with short-term uncertainties in respect of recovery progress, pace and extent. In the coming year, the Group's marketing and sales department will pursue more aggressive strategies.

In order to provide excellent products and services for our clients, the Group has worked hard with emphasis on improving cost control and management skills. The Group also enhanced its profitability by further broadening the client bases and increasing the business share of the existing clients. To this end, our strategy was to operate the corporate infrastructure at the greatest efficiency. By taking advantage of new technological advancements and creative concepts, the Group aims to streamline the group structure and improve the production processes and systems. It will also enhance its product design and development capability and increase the production capacity of the Group's plants. Since early 2002, order amounts showed encouraging rebound.

As for the prospects of the domestic market, it is generally believed that China will become a focus for global investments following its admission into the World Trade Organization. To capture the vast markets in the eastern and northern parts of China, the Group intends to actively expand its Shanghai plant as and when any business opportunities arise. With past experience in domestic investments, the Group is set to enjoy greater share in the PRC market and stronger overall sales network.

The Group has rooted in Hong Kong for over 26 years, during which ups and downs in the electronic industry were witnessed. Under prevailing tough operating environment for cable and wire manufacturers, the directors believe that only players with strong competitive edges will be able to sustain their businesses. With the solid foundation, long established goodwill and focus in the Group's core business, the Group's experienced management team is capable of seizing good opportunities in the growing domestic and overseas markets for further business development. The directors will continue to dedicate themselves to securing long-term returns for the shareholders. The directors would like to express sincere appreciation to the shareholders and the staff of the Group for their strong support and diligence, which are of great value to the Group's continual growth in the ever changing market conditions.

Chairman's Statement *(Continued)***EMPLOYEES**

As at 31 March 2002, the Group had approximately 4,500 employees in Hong Kong, the PRC and overseas. Remuneration policy is reviewed periodically and determined by reference to market terms, company performance, and individual qualifications and performance. Staff benefits include medical schemes, Mandatory Provident Fund scheme for Hong Kong employees, and state-sponsored retirement plans for employees in PRC.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group has implemented sound financial management policy. As at 31 March 2002, the Group had more than HK\$174 million of cash on hand, net current assets value being over HK\$189 million. Short and long term loan totalled HK\$268 million compared with net assets of HK\$758 million representing a gearing ratio of 0.35.

As at 31 March 2002, the Group pledged certain land and buildings, plant and machinery, fixed deposits and trade debtors with an aggregate net book value of HK\$212 million to secure general banking facilities granted to the Group.

The transactions of the Group are mostly denominated in HK\$, US\$ and RMB. As the exchange rates of these currencies have been relatively stable, the Group was therefore not exposed to any significant exchange risk.

CLOSURE OF REGISTERS OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2002 Annual General Meeting, the register of members will be closed from Wednesday, 21 August 2002 to Friday, 23 August 2002, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company branch registrar in Hong Kong, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 20 August 2002.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchases, sold or redeemed any of the Company's listed securities during the year ended 31 March 2002.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements.

*Chairman's Statement (Continued)***COMPLIANCE WITH THE CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied throughout the year ended 31 March 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A detailed results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange will be published on the website on the Stock Exchange in due course.

APPRECIATION

On behalf of the directors, I would like to extend my sincere gratitude to our business partners and staff for their support in the past year.

By order of the Board

Chau Lai Him

Chairman

Hong Kong SAR, 22 July 2002