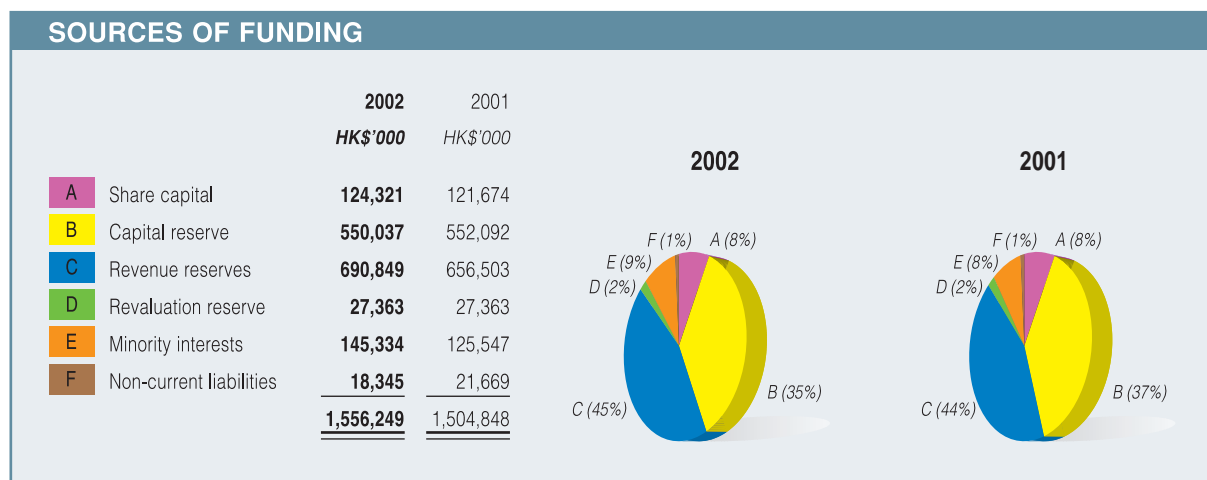




FINANCIAL POSITION AND GEARING RATIO

The financial position of the Group has continuously improved during the year. At 31st December 2002, the shareholders' funds increased by 2.6% to HK\$1,393 million from HK\$1,358 million as at 31st December 2001 and the Group's gross assets employed increased by 3.4% to HK\$1,556 million from HK\$1,505 million as at 31st December 2001.

The gearing ratio, defined as the ratio of total loans outstanding less cash balances to total assets, was practically at a debt free level both at 31st December 2002 and 31st December 2001.



LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to maintain a strong cash position. As at 31st December 2002, total cash and bank balances were HK\$283 million as compared to HK\$299 million as at 31st December 2001. The Group's liquidity remains strong and the Group has sufficient cash and available banking facilities to meet its commitment, working capital requirements and future assets acquisition.

TREASURY POLICY

The Group continues to adopt a conservative treasury policy with all bank deposits in either Hong Kong Dollars, United States Dollars or in the local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks. All of the Group's borrowings are in either Hong Kong Dollars or Renminbi. Forward foreign contracts are utilised when suitable opportunities arise and when considered appropriate, to hedge against foreign exchange exposure. The Group has not engaged in the use of other derivative products, which are considered not necessary for the Group's treasury management activities.

CHARGES ON GROUP ASSETS

Details of charges on group assets are set out in note 13 to financial statements.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in note 33 to financial statements.

EMPLOYEES

Employees and Remuneration Policy

The Group, excluding associated companies and jointly controlled entities, employs about 1,400 employees in Hong Kong and the Mainland. Employee costs, excluding Directors' emoluments, amounted to HK\$138 million.

The Group recruits and promotes individuals based on their competencies, merit and development potential and ensures remuneration packages are competitive. The Group has implemented a share option scheme for executives from 1991 following approval by its shareholders for the purpose of providing competitive package and long term retention of management talents. Likewise in Mainland China, employees are commensurate with market levels with the emphasis on provision of training and development opportunities.

Human and Organisation Development

We promote learning by sponsoring employees to attend external and internal training courses in a wide range of areas such as knowledge of the Group and its businesses, business integrity and ethics, presentation and technical skills, quality awareness and safety, language and computer software applications in addition to tailor-made management development programs.

To augment the Group's present expansion, localisation plan and future development in the Mainland, we continue with our Management Trainee Program to recruit high potential graduates and develop them to be our future managers. In alliance with Tongji University, Shanghai, a training plan was formulated to upgrade and strengthen the technical and managerial competencies of our technical, middle and senior managerial employees.

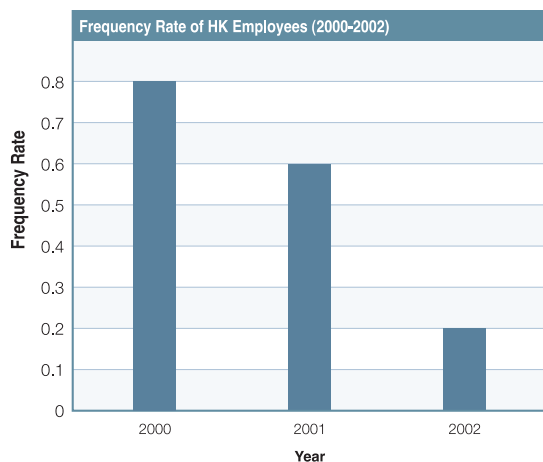
To operate more effectively, we also continue to promote greater transparency, delegation, ownership and better decision making among our senior management team.

Health, Safety and Environmental Protection

Health, safety and environmental protection ("HSE") are integral parts of the Group's business. It is a shared initiative between the Company and all those concerned to give due consideration to stakeholders' HSE needs in our operations.

The Group benchmarks both international and local standards and practices, and adopts overall goals of keeping industrial accidents to the lowest level. It strives to provide a healthy and safe workplace for its staff and workers. It also emphasizes on environmental protection.

In 2002, the Group has successfully implemented management systems in health, safety and environment in Hong Kong operations and substantially brought the frequency rate (the number of lost time injuries per 100,000 hours worked in the year) down by 75% to 0.2 when compared to 0.8 in 2000 (figure below). The Group has also deployed the systems in the Eastern Region in Mainland China.



GOOD CORPORATE CITIZENSHIP



1. The Community Chest's 'Walk for Millions'
2. The management fully supports charitable activities, e.g. Round-the-CU Walkathon & Carnival.
3. 'Challenging 12 Hours': colleagues to support education of children from mainland mountain areas
4. Hong Kong Red Cross blood donation campaign
5. Visits to elderly centre and orphanage

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