

## OPERATIONS AND FINANCIAL REVIEW

During the year under review, the Group's turnover increased by HK\$29,072,000. The increase was substantially attributable to the strong growth in turnover of PVC pipes and fittings during the year. The turnover of household products was flat when compared with last year. On geographical basis, United States of America and Asia remained the dominant markets to the Group, which accounted for 45.8 % and 44.8 % of the Group's turnover respectively.

China's accession to the WTO sustained a rapid growth in demand of construction-related materials for basic infrastructure and construction of property. In consequence, the Group recorded a turnover of PVC pipes and fittings of HK\$239,405,000, representing an increase of 30% compared with last year (2001: HK\$ 184,145,000).

The Group's gross profit and gross profit margin amounted to HK\$130,732,000 and 19.2 % respectively during the year (2001: HK\$129,003,000 and 19.8 % respectively).

## 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 facilities available to the Group as at 31 December 2002 amounted to HK\$463,909,000; of which HK\$169,306,000 of the banking facilities was utilised (utilisation rate was at 36.5%). 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 principally in Hong Kong Dollars, US Dollars and Renminbi, it is normally unnecessary to make use of financial instruments for hedging purposes.

Total shareholders' funds of the Group as at 31 December 2002 increased by 5.9% to HK\$ 748,535,000 (2001: HK\$ 706,883,000). The gearing ratio (measured as total liabilities / total shareholders' funds) of the Group as at 31 December 2002 was 0.33 (2001: 0.36).

## CHARGES ON ASSETS

Certain leasehold land and buildings and investment properties with an aggregate net book value of HK\$113,977,000 were pledged to banks for general banking facilities granted to the Group.

### STAFF AND EMPLOYMENT

At 31 December 2002, the Group employed a total workforce of about 5,100 (2001: 4,220) including 300 permanent staff and 4,800 contracted staff in our factories located in the PRC. The total staff remuneration incurred during the year was HK\$80,832,000 (2001: HK\$77,089,000). It is our Group policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.