

Financial Results

Summary of the financial results of the Group for the year ended 31 March 2003 are as follows:

- Turnover was approximately HK\$502 million (2002: HK\$494 million), represented a increase of approximately 1.6%.
- Loss before tax was approximately HK\$45 million (2002: profit before tax of HK\$34 million).
- Net loss from ordinary activities attributable to shareholders was approximately HK\$46 million (2002: net profit from ordinary activities attributable to shareholders of HK\$27 million).
- Basic loss per share was approximately HK14.81 cents, (2002: basic earnings per share of HK8.67 cents).

Liquidity and Capital Structure

As at 31 March 2003, the Group had net current assets of HK\$43 million (2002: HK\$53 million) mainly comprising prepayments, deposits and other receivables of approximately HK\$11 million (2002: HK\$4 million), inventories of approximately HK\$49 million (2002: HK\$58 million) and trade receivables of approximately HK\$57 million (2002: HK\$81 million). The Group had current liabilities of approximately HK\$119 million (2002: HK\$157 million). The current ratio increased from approximately 1.3 as at 31 March 2002 to 1.4 as at 31 March 2003.

At 31 March 2003, the Group had total assets of approximately HK\$349 million (2002: HK\$415 million) and total liabilities of approximately HK\$144 million (2002: HK\$165 million). The gearing ratio calculated as a percentage of long term debt to equity was 11% (2002: 2%).

Financial Resources

At 31 March 2003, the Group had floating interest-bearing bank borrowings of approximately HK\$28 million (2002: HK\$20 million) and HK\$9 million of which are denominated in Hong Kong dollars. The Group's bank borrowings are all repayable within five years. At 31 March 2003, 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) guarantees provided by the Company.

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 2003.

At 31 March 2003, cash and bank balance amounted to approximately HK\$46 million (2002: approximately HK\$68 million), of which approximately HK\$17 million (2002: approximately HK\$14 million) are denominated in Renminbi and the majority of the remaining balances are denominated in Hong Kong dollars.

Contingent Liabilities

As at the balance sheet date, the Company has outstanding guarantees given to banks to secure general banking facilities granted to the Group in the amount of approximately HK\$107 million (2002: HK\$86 million), out of which approximately HK\$59 million (2002: HK\$6 million) had been utilized by the Group at the balance sheet date.

The Group did not have any significant contingent liabilities at the balance sheet date (2002: Nil).

Capital commitment

As at 31 March 2003, the Group had capital commitment of approximately HK\$974,000 (2002: approximately HK\$4,854,000) and HK\$4,500,000 (2002: Nil) in respect of acquisition of fixed assets and equity injections to its PRC subsidiaries respectively.

Acquisition of a subsidiary

On 22 August 2002, the Group acquired a 100% equity interest in Eastern Century Speed Inc. ("Eastern Century") from an independent third party. Eastern Century is engaged in the development of an electrical interconnection technique. The purchase consideration for the acquisition of Eastern Century (the "Acquisition") was in the form of cash of HK\$28,000,000. The intangible assets of Eastern Century were valued by Castores Magi Surveyors Limited on the "fair market value" in continued use basis with a valuation of HK\$28,000,000.

Since the Acquisition, the technical know-how was utilised by the Group in its production lines and production equipment business.

Employees and Remuneration Policies

As at 31 March 2003, the Group employed approximately 1,350 full time employees of which approximately 1,300 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 provide provides staff benefits including medical scheme, pension scheme and performance related bonuses.