

## Chairman's Statement

### BUSINESS REVIEW

Affected by a global economic recession, the market for household appliances for the year under review was particularly weak in China. In such a harsh environment, there were occasions when the Group's factories in Mainland China did not operate with full capacity. Nevertheless, the Group endeavoured to redirect its focus to ensure competitiveness through technology by reinforcing the technical improvement of products, accelerating the development of new products and other improvement measures.



**Executive Directors**

*From Left in Back:*

*Mr. Shi Bi Xi, Mr. Wang Ya Hua, Mr. Choi Wai Sang,*

*From Left in Front:*

*Mr. Wong Ah Yu, Mr. Wang Ya Nan, Mr. Wong Ah Yeung,*

For the Electrical Accessories Section, successive improvement was made to its network technology and slab-size shaping techniques. Additional semi-automatic large-area pre-screening design equipment and injection-moulding equipment were also installed. For the year under review, over 80 different models of IMD products were developed and more than half of such products were put into production. From early 2002 to the present, the demand for new models of IMD products was particularly strong and the demand remained higher than the supply thereof. This became the new light for the Group in respect of business development for the year and would contribute to consolidate the Group's leading position in the market.

For the Aluminium Products Department, different degrees of improvement were achieved including addition of infrastructure facilities, the development of moulded materials, upgrading of engineering and installation new production techniques; more than 160 new products relating to television frames, visual-audio face boards and amplifier rings were hence developed during the year. These products became the Company's new source of growth in the coming years.



Guided by operation and marketing concepts that emphasised on the "concern for market trends, endeavour to provide excellent service, consolidation of existing clients and development of new markets," the Ironware Products Section purchased and installed a total of 17 additional sets of

moulding machines. With the improvement of the Company's mould- developing ability, more than 800 new moulds were developed during the year. As the productivity of punching machines was further enhanced, the potential for stable development was maintained.

For the Satellite Television Receiver Manufacturing Department, a total of 3 new products under the MB and STI series were developed. The design and development ability of the Department to work out full-process designs comprised of hardware, mail and electric circuit, mechanical structure and PCB was basically formed. New models of machinery independently developed by the Department for the first time and exported to Indonesia last year enabled the Group to enter into the domain of digital technology.

Last year, the Group acquired Xiamen Optic Conduct Cable Co., Ltd. in Xiamen, China. Upon the official takeover of the aforementioned company on 27th June, 2001, owing to immense efforts made in cutting expenses and maximising the utilisation of existing resources, in cope with good relationships with several major telecom providers in the market, the business managed to turn loss into profit position. At the same time, the Group had successfully entered to the domain of optical communications. Please refer to note 26(b) to the financial statements for details.



For the year under review, relying on technical advancement and the development of new products, the Group succeeded in improving the quality of its products and enhancing its competitiveness in the market. As a result, the stable development of all production operations was activated for the entire year and a solid foundation was built therefor. Furthermore, the Group's ranking among the top 100 manufacturers of electronic components nationwide in China rose again from 51st in 2000 to 45th this year.

### PROSPECTS FOR 2002

Albeit elements of uncertainty in the market, prospects for 2002 shall presumably be better than that of the preceding year:

1. With the American economy showing tendencies of recovery, it will be possible for the world economy to gradually resume its normal pace of development;
2. China has become the "Factory of the World" with its accession to the WTO and improvement of the investment environment, more integrated opportunities to better facilitate the exportation of products will hence be expected as the Group is situated inside this Factory of the World;

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3. State policies for economic development in China become more pragmatic and positive (such as expanding internal demand, adopting vigorous financial policies and stable currency policies, developing the Western Region of China, raising farmers' income and developing rural markets and etc.) and the domestic market becomes more stable and wide;
4. As China become one of the ten major information-production countries in the world, the information industry will become China's primary mainstay industry and rapid development for such industry is hence expected to continue;
5. As the price war of household electrical appliances gradually comes to maturity, competition turns towards the high-tech domain. The Group's efforts to improve production technology and maintain alertness in respect of market changes during the last few years can now be perceived from an adjusted product structure adapted to accommodate needs created by such changes.

General perception of the Group: maintain one principle, tackle two markets and realise our goals.



### 1. **Maintain one principle:**

The principle to "heighten economic return" must always be maintained irrespective of market development, new product development or production organisation.

"Efficiency is crucial to all tasks and success must be achieved for every single task. The paradigm for action shall be to minimise investment and optimise production. The goal of every task is no error, no defect, no incident and no complaint."

### 2. **Tackle two markets:**

With China's accession to the WTO, there shall be no difference between the domestic and overseas markets as both of which will only better facilitate exportation. For this reason,

"It is crucial to consolidate and develop major domestic clients and reputable manufacturers, with a view to achieve the Group's goals with the strength of such units; aim at multi-national companies, strive to become the "Global Supplier" of such companies; make use of the window provided by the Hong Kong Company to expand exportation and create an international brandname."

### 3. Realise our goals:

Master key regions for market development: the base must be established in Fujian and development must orient towards the Pearl River Delta, Suzhou, Shanghai, Hangzhou (like an elongated triangle) and extend to Beijing and Tianjin (around Bohai).

As for product marketing, solicit and retain key and major clients, with a view to create a partnership for joint development. Pay attention to preliminary alternatives available to such clients in respect of design development, with a view to provide them with proposals complimentary to such preliminary alternatives through the Group's technical strength.

Key products must be highlighted in design development, production arrangement, business operation and product marketing: IMD, aluminium wiredrawing products, metal components, optical cables, micro-electric machinery, satellite television receivers and etc. Special attention must be paid to technical excellence as well as the quality of manpower and material resources, with a view to stimulate the development of other products.

The Group's direction for 2002: Xiamen Optical Cable factory become one of the companies in China's market producing upper-middle range cables; Shenzhen Factory has completed construction and entered into operation to strengthen the whole Group's productivity and the productivity of the factories in Shishi Fujian has to be increased significantly.

By Order of the Board

**Wang Ya Nan**

*Chairman*

Hong Kong, 16 April 2002

