

CHAIRMAN'S STATEMENT

RESULTS AND DIVIDENDS

On behalf of the Board of Directors, I am pleased to announce the annual results for the year ended 31st March 2006.

The Group's turnover for the year ended 31st March 2006 was HK\$4,877 million, dropped 9.5%. The decline was mainly due to the phasing out of low-end audio products by the Group.

Despite the decrease in turnover, we had EBITDA of HK\$434 million, an improvement to 8.9% against last year's 7.3%.

Net profit attributable to shareholders grew from last year's HK\$240 million to HK\$283 million this year, a jump of 18%, with basic earnings per share at HK50.6 cents against HK43.8 cents last year.

During the year, the Group paid an interim dividend of HK6 cents per share and an interim special dividend of HK4 cents per share to shareholders. The Directors recommended paying a final dividend of HK16 cents per

share and a final special dividend of HK6 cents per share, totaling HK\$123 million. That made the aggregate dividend for the year HK32 cents per share, HK11 cents per share more than the previous year and at an increased dividend payout ratio of 63% versus last year's 49%.

Subject to shareholders' approval at the forthcoming Annual General Meeting, the final and final special dividends are expected to be paid on 7th September 2006.

Our sustained business performance earned us a place among Forbes Asia's Top 200 "Best Under a Billion" within Asia Pacific Region in 2005.

LEUNG KAI CHING, KIMEN

Chairman

We see a rosy future in
diversifying into high-end
products.



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BUSINESS REVIEW

In the past year, we continued to shift our focus to high-end digital home video entertainment products while at the same time continued to trim down on production of traditional low-end products. These endeavors were complemented by prudent cost control measures and enhanced production efficiency.

For the year ended 31st March 2006, AV products, in particular products incorporating TFT-LCD screen, continued to be the Group's major revenue contributor. LCD monitors and LCD TVs especially received very favorable response from customers in many markets.

With demand for analog and CD products shrinking, the Group reduced production of these traditional low-end products. However, some existing higher end audio products such as 5CD and 20CD home audio systems and micro audio systems still generated stable income for the Group during the year. The Group also drastically scaled down production of certain product categories, such as home-use cordless phones. These products are not core products of the Group and have been under severe price pressure in many markets.

Although the Group still felt the pressure of high plastic resin and metal component prices, thanks to our focus on high-end products and effort to phase out low-end ones, which have resulted in higher per-unit selling price, the overall impact of hefty raw material prices has been mitigated. Besides, as part of our measures to maintain competitiveness, we are constantly exploring new ideas in engineering and production that can help us lower overall cost.

Production Facilities

To further reduce the impact of labor shortage and rising labor cost in the Pearl River Delta region, we continued to further automate our production processes, including using robotic arms in the plastic moulding operation and expanding further our automatic spraying facilities. Enhanced automation in the assembly processes has also enabled us to continue to increase productivity and reduce reliance on direct labor.

During the year, we expanded our plastic moulding capacity to satisfy 80% of our manufacturing needs against 60% in the previous year.



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In line with our strategy to expand LCD-TV business, we also further expanded our "clean zone" to facilitate assembly of backlights into TFT-LCD panels, including those for LCD TVs. Our investment in new equipment and facilities enhanced the Group's overall ability to manufacture sophisticated high-end components and products, including DVD recorders, large size TFT-LCD displays, and products with hard-disk drives ("HDD").

The Group's 50 power generators continued to provide uninterrupted power supply, especially during periods of power shortages. Apart from closely monitoring power supply situation, the Group also has in place precautionary measures to reduce electricity consumption in non-mission-critical areas.

To cater for production volume increase during peak seasons, the Group's production facilities will run two shifts daily to ensure maximum utilization and that products will be delivered on schedule. We are now reaping the fruits of our previous continuous investments in modernizing our production facilities and we have no immediate need to add new physical manufacturing capacity for coping with sudden increases in orders.

PROSPECTS

Looking ahead, the Group will continue its strategy of focusing on the development of high-end and high-value digital AV products, especially in the home video entertainment category. We are highly optimistic of the market for High Definition ("HD") LCD TVs and portable video devices as they become more and more affordable and consumers will become more and more willing to upgrade to larger size and higher value versions. During the year under review, the Group launched large size HD LCD TVs with screen up to 32" and customers' feedback has been favourable.



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According to recent research estimate, LCD TVs will make up over 50% of the global TV market in 2010, against about 20% now. Furthermore, the average compound annual growth rate of LCD TVs shipment between 2006 and 2010 is estimated at 30%, with global shipment expected to increase from 40 million units in 2006 to over 100 million units in 2010. Furthermore, with the prices of LCD panels on steady decline making LCD TVs more affordable, demand in the end markets is expected to increase continuously.

In addition to our close relationship with customers in North America, we expect our business in Europe to pick up in 2006 and beyond facilitated by the increasing penetration and popularity of LCD TVs in many European countries.

The Group will strive to stay abreast of changes in the dynamic consumer electronics market and step up effort in product development. Our three R&D centers in Hong Kong, Shenzhen and Dongguan will continue to support

development of new and more advanced digital AV products in a timely manner to satisfy consumer demands in various markets around the world.

APPRECIATION

We would not have achieved such encouraging performance without the support of our business partners, staff, the management and shareholders. On behalf of the Board, I would like to express my sincere gratitude to all of them for their continuous dedication, commitment and support over the past year.

LEUNG Kai Ching, Kimen

Chairman

Hong Kong, 18th July 2006

